

Messrs. VINSON, DREWRY, and COLE of New York.

EXTENSION OF REMARKS

Mr. JUDD asked and was given permission to extend his remarks and include therein two letters.

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that I may extend the remarks I made on my reservation of objection a while ago to the request of the gentleman from California [Mr. ANDERSON] and that I may include therein excerpts from letters, radiograms and telegrams which I am receiving from servicemen overseas as well as excerpts from some speeches made here in town last night.

Mr. KNUTSON. Mr. Speaker, reserving the right to object, will the total amount exceed two pages?

Mr. RANKIN. No; I will say to the gentleman from Minnesota.

Mr. RICH. Mr. Speaker, reserving the right to object, may I ask the gentleman from Mississippi: If among those letters he is receiving from servicemen overseas there are any letters from anybody saying they want to stay over there?

Mr. RANKIN. Not yet. In reply to the gentleman from Pennsylvania, I would like to say that I am receiving enormous loads of letters from fathers and mothers and wives of servicemen begging us to do something to bring them home.

Mr. RICH. I am in sympathy with them.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent that, after the disposition of business on the Speaker's desk and the conclusion of special orders heretofore entered, I may address the House next Tuesday for 10 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kansas?

There was no objection.

ADJOURNMENT

Mr. KELLEY of Pennsylvania. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 45 minutes p. m.) the House adjourned until Monday, January 21, 1946, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON THE CENSUS

The Committee on the Census will hold hearings on H. R. 4781 on Thursday and Friday mornings, January 24 and 25, 1946, at 10 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

960. A letter from the President, Board of Commissioners, District of Columbia, transmitting a draft of a proposed bill to amend the District of Columbia Traffic Act, 1925,

approved March 3, 1925, as amended, to provide for tests of blood, urine, and breath of persons arrested in the District of Columbia for certain offenses; to the Committee on the District of Columbia.

961. A letter from the Assistant Director, Administrative Office of the United States Courts, transmitting a copy of the detailed statement of expenditures of appropriations for the United States Court of Customs and Patent Appeals for the fiscal year ended June 30, 1945; to the Committee on Expenditures in the Executive Departments.

962. A letter from the Archivist of the United States, transmitting a report on disposition of certain records of the American Consulate at Kweilin, China; to the Committee on the Disposition of Executive Papers.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FLANNAGAN: Committee on Agriculture. H. R. 5135. A bill to amend the Agricultural Adjustment Act of 1938, as amended; with amendment (Rept. No. 1476). Referred to the Committee of the Whole House on the State of the Union.

Mr. BISHOP: Committee on Naval Affairs. S. 1590. An act to authorize the President to appoint Graves Blanchard Erskine, major general, United States Marine Corps, to the office of Retraining and Reemployment Administrator, without affecting his service status and perquisites; without amendment (Rept. No. 1477). Referred to the Committee of the Whole House.

Mr. HESS: Committee on Naval Affairs. S. 1467. An act to provide for adjustment between the proper appropriations, of unpaid balances in the pay accounts of naval personnel on the last day of each fiscal year, and for other purposes; without amendment (Rept. No. 1478). Referred to the Committee of the Whole House on the State of the Union.

Mr. ANDERSON of California: Committee on Naval Affairs. S. 1631. An act to provide for the payment on a commuted basis of the costs of transportation of dependents of certain persons entitled to such transportation, and for other purposes; without amendment (Rept. No. 1479). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CASE of South Dakota:

H. R. 5170. A bill to amend the point system of the War and Navy Departments by providing additional credit for overseas service; to the Committee on Military Affairs.

By Mr. FLANNAGAN:

H. R. 5171. A bill to provide basic authority for the performance of certain functions and activities of the Department of Agriculture; to the Committee on Agriculture.

By Mr. KELLEY of Pennsylvania:

H. R. 5172. A bill to permit veterans to receive readjustment allowances for unemployment where stoppage of work exists because of a labor dispute; to the Committee on World War Veterans' Legislation.

By Mr. KNUTSON:

H. R. 5173. A bill to establish import quotas with respect to imports of jeweled watches and watch movements; to the Committee on Ways and Means.

H. R. 5174. A bill to terminate wartime excise tax rates after June 30, 1946; to the Committee on Ways and Means.

By Mr. RANDOLPH:

H. R. 5175. A bill to amend the act entitled "An act to authorize the operation of stands in Federal buildings by blind persons, to enlarge the economic opportunities of the blind, and for other purposes" approved June 20, 1936, and for other purposes; to the Committee on Labor.

By Mr. SPENCE:

H. J. Res. 301. Joint resolution to amend Public Law 30 of the Seventy-ninth Congress and for other purposes; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BATES of Kentucky:

H. R. 5176. A bill for the relief of Elwood David Arnold; to the Committee on Claims.

H. R. 5177. A bill for the relief of Clint Tolliver and Gertrude Tolliver; to the Committee on Claims.

By Mrs. DOUGLAS of California:

H. R. 5178. A bill for the relief of Marian Antoinette McCloud; to the Committee on Immigration and Naturalization.

By Mr. LEONARD W. HALL:

H. R. 5179. A bill for the relief of Mrs. Marion M. Martin; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1469. By Mr. BRUMBAUGH: Petition of 200 residents of Blair County, Pa., protesting the retention in the armed forces of married men and especially all enlisted personnel who have served 2 years or more and calling for a complete review of the entire demobilization program; protesting the establishment of fact-finding committees; urging strict control of labor unions and voicing anxiety over the communistic trend that it is felt is an active menace and a threat to our American form of government; to the Committee on Military Affairs.

1470. By Mr. COLE of Missouri: Petition of M. F. Adams and 325 others, urging continuance of the OPA until the danger of inflation is past; to the Committee on Banking and Currency.

1471. By Mr. GOODWIN: Petition of Chapter 10, Disabled American Veterans, Massachusetts Department, DAV, to amend Executive Order No. 9538 so as to extend to all post-office appointees and employees credits for all seniority purposes for the period of military service; to the Committee on the Civil Service.

1472. By Mr. GRAHAM: Petition of Pleasant Hill Grange, No. 1505, of the Lawrence County Pomona Grange, New Castle, Pa., opposing peacetime military training; to the Committee on Military Affairs.

SENATE

MONDAY, JANUARY 21, 1946

(Legislative day of Friday, January 18, 1946)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. Bernard Braskamp, D. D., minister, Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

O Thou who art the guiding intelligence in the life of men and of nations,

we thank Thee for the high and holy privilege of holding communion and counsel with the God of all wisdom.

We beseech Thee that this moment of prayer may be a veritable mount of vision. May we now receive insight and inspiration to bring to fulfillment and fruition those lofty purposes which Thou hast for all mankind.

Grant that Thy servants may have the clear and unmistakable leading of Thy Spirit in all their deliberations and decisions. Help us to lay hold of those inexhaustible resources of grace which Thou hast placed at our disposal, and at the close of each day may we be worthy of the benediction which Thou dost bestow upon the faithful.

In Christ's name we pray. Amen.

ATTENDANCE OF SENATORS

C. WAYLAND BROOKS, a Senator from the State of Illinois; CARL A. HATCH, a Senator from the State of New Mexico; and ABE MURDOCK, a Senator from the State of Utah, appeared in their seats today.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries.

ANNUAL MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The PRESIDENT pro tempore. Without objection, the clerk will read the message from the President of the United States.

Mr. BALL. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. BALL. Under the present parliamentary situation, is the reading of the President's message privileged above the approval of the Journal?

The PRESIDENT pro tempore. No; it can be read now only by unanimous consent, and the Chair said "without objection." Does the Senator from Minnesota object?

Mr. BALL. No; I am not objecting; but I wanted to clear the parliamentary situation. What the Chair has stated is what I understood.

The PRESIDENT pro tempore. The parliamentary situation is that the approval of the Journal is the question before the Senate, and the message can only be read by unanimous consent. Is there objection?

Mr. RUSSELL. Mr. President, I shall not object, but I want to make it perfectly clear by a parliamentary inquiry that the reading of the message will in no wise prejudice the pending motion.

The PRESIDENT pro tempore. It will not interfere with the status of the pending motion and the present parliamentary situation. The clerk will read the message.

The Chief Clerk read the Message of the President of the United States on the state of the Union and transmitting the Budget for 1947, as follows:

To the Congress of the United States:

A quarter century ago the Congress decided that it could no longer consider

the financial programs of the various departments on a piecemeal basis. Instead it has called on the President to present a comprehensive Executive Budget. The Congress has shown its satisfaction with that method by extending the budget system and tightening its controls. The bigger and more complex the Federal program, the more necessary it is for the Chief Executive to submit a single budget for action by the Congress.

At the same time, it is clear that the budgetary program and the general program of the Government are actually inseparable. The President bears the responsibility for recommending to the Congress a comprehensive set of proposals on all Government activities and their financing. In formulating policies, as in preparing budgetary estimates, the Nation and the Congress have the right to expect the President to adjust and coordinate the views of the various departments and agencies to form a unified program. And that program requires consideration in connection with the Budget, which is the annual work program of the Government.

Since our programs for this period which combines war liquidation with reconversion to a peacetime economy are inevitably large and numerous, it is imperative that they be planned and executed with the utmost efficiency and the utmost economy. We have cut the war program to the maximum extent consistent with national security. We have held our peacetime programs to the level necessary to our national well-being and the attainment of our postwar objectives. Where increased programs have been recommended, the increases have been held as low as is consistent with these goals. I can assure the Congress of the necessity of these programs. I can further assure the Congress that the program as a whole is well within our capacity to finance it. All the programs I have recommended for action are included in the Budget figures.

For these reasons I have chosen to combine the customary message on the state of the Union with the annual Budget message, and to include in the Budget not only estimates for functions authorized by the Congress, but also for those which I recommend for its action.

I am also transmitting herewith the Fifth Quarterly Report of the Director of War Mobilization and Reconversion. It is a comprehensive discussion of the present state of the reconversion program and of the immediate and long-range needs and recommendations.

This constitutes, then, as complete a report as I find it possible to prepare now. It constitutes a program of government in relation to the Nation's needs.

With the growing responsibility of modern government to foster economic expansion and to promote conditions that assure full and steady employment opportunities, it has become necessary to formulate and determine the Government program in the light of national economic conditions as a whole. In both the executive and the legislative branches we must make arrangements which will permit us to formulate the Government program in that light. Such an approach has become impera-

tive if the American political and economic system is to succeed under the conditions of economic instability and uncertainty which we have to face. The Government needs to assure business, labor, and agriculture that Government policies will take due account of the requirements of a full-employment economy. The lack of that assurance would, I believe, aggravate the economic instability.

With the passage of a full-employment bill which I confidently anticipate for the very near future, the executive and legislative branches of government will be empowered to devote their best talents and resources in subsequent years to preparing and acting on such a program.

I. FROM WAR TO PEACE—THE YEAR OF DECISION

In his last message on the State of the Union, delivered 1 year ago, President Roosevelt said:

This new year of 1945 can be the greatest year of achievement in human history.

1945 can see the final ending of the Nazi-Fascist reign of terror in Europe.

1945 can see the closing in of the forces of retribution about the center of the malignant power of imperialistic Japan.

Most important of all—1945 can and must see the substantial beginning of the organization of world peace.

All those hopes, and more, were fulfilled in the year 1945. It was the greatest year of achievement in human history. It saw the end of the Nazi-Fascist terror in Europe, and also the end of the malignant power of Japan. And it saw the substantial beginning of world organization for peace. These momentous events became realities because of the steadfast purpose of the United Nations and of the forces that fought for freedom under their flags. The plain fact is that civilization was saved in 1945 by the United Nations.

Our own part in this accomplishment was not the product of any single service. Those who fought on land, those who fought on the sea, and those who fought in the air deserve equal credit. They were supported by other millions in the armed forces who through no fault of their own could not go overseas and who rendered indispensable service in this country. They were supported by millions in all levels of government, including many volunteers, whose devoted public service furnished basic organization and leadership. They were also supported by the millions of Americans in private life—men and women in industry, in commerce, on the farms, and in all manner of activity on the home front—who contributed their brains and their brawn in arming, equipping, and feeding them. The country was brought through 4 years of peril by an effort that was truly national in character.

Everlasting tribute and gratitude will be paid by all Americans to those brave men who did not come back, who will never come back—the 330,000 who died that the Nation might live and progress. All Americans will also remain deeply conscious of the obligation owed to that larger number of soldiers, sailors, and marines who suffered wounds and sickness in their service. They may be certain that their sacrifice will never be forgotten or their needs neglected.

The beginning of the year 1946 finds the United States strong and deservedly confident. We have a record of enormous achievements as a democratic society in solving problems and meeting opportunities as they developed. We find ourselves possessed of immeasurable advantages—vast and varied natural resources; great plants, institutions, and other facilities; unsurpassed technological and managerial skills; an alert, resourceful, and able citizenry. We have in the United States Government rich resources in information, perspective, and facilities for doing whatever may be found necessary to do in giving support and form to the widespread and diversified efforts of all our people.

And for the immediate future the business prospects are generally so favorable that there is danger of such feverish and opportunistic activity that our grave postwar problems may be neglected. We need to act now with full regard for pitfalls; we need to act with foresight and balance. We should not be lulled by the immediate alluring prospects into forgetting the fundamental complexity of modern affairs, the catastrophe that can come in this complexity or the values that can be wrested from it.

But the long-range difficulties we face should no more lead to despair than our immediate business prospects should lead to the optimism which comes from the present short-range prospect. On the foundation of our victory we can build a lasting peace, with greater freedom and security for mankind in our country and throughout the world. We will more certainly do this if we are constantly aware of the fact that we face crucial issues and prepare now to meet them.

To achieve success will require both boldness in setting our sights and caution in steering our way on an uncharted course. But we have no luxury of choice. We must move ahead. No return to the past is possible.

Our Nation has always been a land of great opportunities for those people of the world who sought to become part of us. Now we have become a land of great responsibilities to all the people of all the world. We must squarely recognize and face the fact of those responsibilities. Advances in science, in communication, in transportation, have compressed the world into a community. The economic and political health of each member of the world community bears directly on the economic and political health of each other member.

The evolution of centuries has brought us to a new era in world history in which manifold relationships between nations must be formalized and developed in new and intricate ways.

The United Nations Organization now being established represents a minimum essential beginning. It must be developed rapidly and steadily. Its work must be amplified to fill in the whole pattern that has been outlined. Economic collaboration, for example, already charted, now must be carried on as carefully and as comprehensively as the political and security measures.

It is important that the nations come together as States in the Assembly and

in the Security Council and in the other specialized assemblies and councils that have been and will be arranged. But this is not enough. Our ultimate security requires more than a process of consultation and compromise.

It requires that we begin now to develop the United Nations Organization as the representative of the world as one society. The United Nations Organization, if we have the will adequately to staff it and to make it work as it should, will provide a great voice to speak constantly and responsibly in terms of world collaboration and world well-being.

There are many new responsibilities for us as we enter into this new international era. The whole power and will and wisdom of our Government and of our people should be focused to contribute to and to influence international action. It is intricate, continuing business. Many concessions and adjustments will be required.

The spectacular progress of science in recent years makes these necessities more vivid and urgent. That progress has speeded internal development and has changed world relationships so fast that we must realize the fact of a new era. It is an era in which affairs have become complex and rich in promise. Delicate and intricate relationships, involving us all in countless ways, must be carefully considered.

On the domestic scene, as well as on the international scene, we must lay a new and better foundation for cooperation. We face a great peacetime venture; the challenging venture of a free-enterprise economy making full and effective use of its rich resources and technical advances. This is a venture in which business, agriculture, and labor have vastly greater opportunities than heretofore. But they all also have vastly greater responsibilities. We will not measure up to those responsibilities by the simple return to "normalcy" that was tried after the last war.

The general objective, on the contrary, is to move forward to find the way in time of peace to the full utilization and development of our physical and human resources that were demonstrated so effectively in the war.

To accomplish this, it is not intended that the Federal Government should do things that can be done as well for the Nation by private enterprise, or by State and local governments. On the contrary, the war has demonstrated how effectively we can organize our productive system and develop the potential abilities of our people by aiding the efforts of private enterprise.

As we move toward one common objective there will be many and urgent problems to meet.

Industrial peace between management and labor will have to be achieved—through the process of collective bargaining—with Government assistance but not Government compulsion. This is a problem which is the concern not only of management, labor, and the Government, but also the concern of every one of us.

Private capital and private management are entitled to adequate reward for efficiency, but business must recognize

that its reward results from the employment of the resources of the Nation. Business is a public trust and must adhere to national standards in the conduct of its affairs. These standards include as a minimum the establishment of fair wages and fair employment practices.

Labor also has its own new peacetime responsibilities. Under our collective bargaining system, which must become progressively more secure, labor attains increasing political as well as economic power, and this, as with all power, means increased responsibility.

The lives of millions of veterans and war workers will be greatly affected by the success or failure of our program of war liquidation and reconversion. Their transition to peacetime pursuits will be determined by our efforts to break the bottlenecks in key items of production, to make surplus property immediately available where it is needed, to maintain an effective national employment service, and many other reconversion policies. Our obligations to the people who won the war will not be paid if we fail to prevent inflation and to maintain employment opportunities.

While our peacetime prosperity will be based on the private-enterprise system, government can and must assist in many ways. It is the Government's responsibility to see that our economic system remains competitive, that new businesses have adequate opportunities, and that our national resources are restored and improved. Government must realize the effect of its operations on the whole economy. It is the responsibility of government to gear its total program to the achievement of full production and full employment.

Our basic objective—toward which all others lead—is to improve the welfare of the American people. In addition to economic prosperity, this means that we need social security in the fullest sense of the term; the people must be protected from the fear of want during old age, sickness, and unemployment. Opportunities for a good education and adequate medical care must be generally available. Every family should have a decent home. The new economic bill of rights to which I have referred on previous occasions is a charter of economic freedom which seeks to assure that all who will may work toward their own security and the general advancement; that we become a well-housed people, a well-nourished people, an educated people, a people socially and economically secure, an alert and responsible people.

These and other problems which may face us can be met by the cooperation of all of us in furthering a positive and well-balanced Government program—a program which will further national and international well-being.

II. THE FEDERAL PROGRAM INTERNATIONAL AFFAIRS

1. Foreign policy

The year 1945 brought with it the final defeat of our enemies. There lies before us now the work of building a just and enduring peace.

Our most immediate task toward that end is to deprive our enemies completely

and forever of their power to start another war. Of even greater importance to the preservation of international peace is the need to preserve the wartime agreement of the United Nations and to direct it into the ways of peace.

Long before our enemies surrendered, the foundations had been laid on which to continue this unity in the peace to come. The Atlantic meeting in 1941 and the conferences at Casablanca, Quebec, Moscow, Cairo, Tehran, and Dumbarton Oaks each added a stone to the structure.

Early in 1945, at Yalta, the three major powers broadened and solidified this base of understanding. There fundamental decisions were reached concerning the occupation and control of Germany. There also a formula was arrived at for the interim government of the areas in Europe which were rapidly being wrested from Nazi control. This formula was based on the policy of the United States that people be permitted to choose their own form of government by their own freely expressed choice without interference from any foreign source.

At Potsdam, in July 1945, Marshal Stalin, Prime Ministers Churchill and Attlee, and I met to exchange views primarily with respect to Germany. As a result, agreements were reached which outlined broadly the policy to be executed by the Allied Control Council. At Potsdam there was also established a Council of Foreign Ministers which convened for the first time in London in September. The Council is about to resume its primary assignment of drawing up treaties of peace with Italy, Rumania, Bulgaria, Hungary, and Finland.

In addition to these meetings, and in accordance with the agreement at Yalta, the Foreign Ministers of Great Britain, the Soviet Union, and the United States conferred together in San Francisco last spring, in Potsdam in July, in London in September, and in Moscow in December. These meetings have been useful in promoting understanding and agreement among the three governments.

Simply to name all the international meetings and conferences is to suggest the size and complexity of the undertaking to prevent international war in which the United States has now enlisted for the duration of history.

It is encouraging to know that the common effort of the United Nations to learn to live together did not cease with the surrender of our enemies.

When difficulties arise among us, the United States does not propose to remove them by sacrificing its ideals or its vital interests. Neither do we propose, however, to ignore the ideals and vital interests of our friends.

Last February and March an Inter-American Conference on Problems of War and Peace was held in Mexico City. Among the many significant accomplishments of that Conference was an understanding that an attack by any country against any one of the sovereign American republics would be considered an act of aggression against all of them, and that if such an attack were made or threatened the American republics would decide jointly, through consultations in which each republic has equal representation, what measures they would take

for their mutual protection. This agreement stipulates that its execution shall be in full accord with the Charter of the United Nations Organization.

The first meeting of the General Assembly of the United Nations now in progress in London marks the real beginning of our bold adventure toward the preservation of world peace, to which is bound the dearest hope of men.

We have solemnly dedicated ourselves and all our will to the success of the United Nations Organization. For this reason we have sought to insure that in the peacemaking the smaller nations shall have a voice as well as the larger states. The agreement reached at Moscow last month preserves this opportunity in the making of peace with Italy, Rumania, Bulgaria, Hungary, and Finland. The United States intends to preserve it when the treaties with Germany and Japan are drawn.

It will be the continuing policy of the United States to use all its influence to foster, support, and develop the United Nations Organization in its purpose of preventing international war. If peace is to endure it must rest upon justice no less than upon power. The question is how justice among nations is best achieved. We know from day-to-day experience that the chance for a just solution is immeasurably increased when everyone directly interested is given a voice. That does not mean that each must enjoy an equal voice, but it does mean that each must be heard.

Last November, Prime Minister Attlee, Prime Minister Mackenzie King, and I announced our proposal that a commission be established within the framework of the United Nations to explore the problems of effective international control of atomic energy.

The Soviet Union, France, and China have joined us in the purpose of introducing in the General Assembly a resolution for the establishment of such a commission. Our earnest wish is that the work of this commission go forward carefully and thoroughly, but with the greatest dispatch. I have great hope for the development of mutually effective safeguards which will permit the fullest international control of this new atomic force.

I believe it possible that effective means can be developed through the United Nations Organization to prohibit, outlaw, and prevent the use of atomic energy for destructive purposes.

The power which the United States demonstrated during the war is the fact that underlies every phase of our relations with other countries. We cannot escape the responsibility which it thrusts upon us. What we think, plan, say, and do is of profound significance to the future of every corner of the world.

The great and dominant objective of United States foreign policy is to build and preserve a just peace. The peace we seek is not peace for 20 years. It is permanent peace. At a time when massive changes are occurring with lightning speed throughout the world, it is often difficult to perceive how this central objective is best served in one isolated complex situation or another. Despite this very real difficulty, there are certain

basic propositions to which the United States adheres and to which we shall continue to adhere.

One proposition is that lasting peace requires genuine understanding and active cooperation among the most powerful nations. Another is that even the support of the strongest nations cannot guarantee a peace unless it is infused with the quality of justice for all nations.

On October 27, 1945, I made, in New York City, the following public statement of my understanding of the fundamental foreign policy of the United States. I believe that policy to be in accord with the opinion of the Congress and of the people of the United States. I believe that that policy carries out our fundamental objectives:

1. We seek no territorial expansion or selfish advantage. We have no plans for aggression against any other state, large or small. We have no objective which need clash with the peaceful aims of any other nation.

2. We believe in the eventual return of sovereign rights and self-government to all peoples who have been deprived of them by force.

3. We shall approve no territorial changes in any friendly part of the world unless they accord with the freely expressed wishes of the people concerned.

4. We believe that all peoples who are prepared for self-government should be permitted to choose their own form of government by their own freely expressed choice, without interference from any foreign source. That is true in Europe, in Asia, in Africa, as well as in the Western Hemisphere.

5. By the combined and cooperative action of our war allies, we shall help the defeated enemy states establish peaceful democratic governments of their own free choice. And we shall try to attain a world in which nazism, fascism, and military aggression cannot exist.

6. We shall refuse to recognize any government imposed upon any nation by the force of any foreign power. In some cases it may be impossible to prevent forcible imposition of such a government. But the United States will not recognize any such government.

7. We believe that all nations should have the freedom of the seas and equal rights to the navigation of boundary rivers and waterways and of rivers and waterways which pass through more than one country.

8. We believe that all states which are accepted in the society of nations should have access on equal terms to the trade and the raw materials of the world.

9. We believe that the sovereign states of the Western Hemisphere, without interference from outside the Western Hemisphere, must work together as good neighbors in the solution of their common problems.

10. We believe that full economic collaboration between all nations, great and small, is essential to the improvement of living conditions all over the world, and to the establishment of freedom from fear and freedom from want.

11. We shall continue to strive to promote freedom of expression and freedom of religion throughout the peace-loving areas of the world.

12. We are convinced that the preservation of peace between nations requires a United Nations Organization composed of all the peace-loving nations of the world who are willing jointly to use force, if necessary, to insure peace.

That is our foreign policy.

We may not always fully succeed in our objectives. There may be instances where the attainment of those objectives is delayed. But we will not give our full sanction and approval to actions which fly in the face of these ideals.

The world has a great stake in the political and economic future of Germany. The Allied Control Council has now been in operation there for a substantial period of time. It has not met with unqualified success. The accommodation of varying views of four governments in the day-to-day civil administration of occupied territory is a challenging task. In my judgment, however, the Council has made encouraging progress in the face of most serious difficulties. It is my purpose at the earliest practicable date to transfer from military to civilian personnel the execution of United States participation in the government of occupied territory in Europe. We are determined that effective control shall be maintained in Germany until we are satisfied that the German people have regained the right to a place of honor and respect.

On the other side of the world, a method of international cooperation has recently been agreed upon for the treatment of Japan. In this pattern of control, the United States, with the full approval of its partners, has retained primary authority and primary responsibility. It will continue to do so until the Japanese people, by their own freely expressed choice, choose their own form of government.

Our basic policy in the Far East is to encourage the development of a strong, independent, united, and democratic China. That has been the traditional policy of the United States.

At Moscow the United States, the Union of Soviet Socialist Republics, and Great Britain agreed to further this development by supporting the efforts of the National Government and nongovernmental Chinese political elements in bringing about cessation of civil strife and in broadening the basis of representation in the Government. That is the policy which General Marshall is so ably executing today.

It is the purpose of the Government of the United States to proceed as rapidly as is practicable toward the restoration of the sovereignty of Korea and the establishment of a democratic government by the free choice of the people of Korea.

At the threshold of every problem which confronts us today in international affairs is the appalling devastation, hunger, sickness, and pervasive human misery that mark so many areas of the world.

By joining and participating in the work of the United Nations Relief and Rehabilitation Administration the United States has directly recognized and assumed an obligation to give such relief assistance as is practicable to millions of innocent and helpless victims of the war. The Congress has earned the gratitude of the world by generous financial contributions to the United Nations Relief and Rehabilitation Administration.

We have taken the lead, modest though it is, in facilitating under our existing immigration quotas the admission to the United States of refugees and displaced persons from Europe.

We have joined with Great Britain in the organization of a commission to study the problem of Palestine. The

Commission is already at work and its recommendations will be made at an early date.

The members of the United Nations have paid us the high compliment of choosing the United States as the site of the United Nations headquarters. We shall be host in spirit as well as in fact, for nowhere does there abide a fiercer determination that this peace shall live than in the hearts of the American people.

It is the hope of all Americans that in time future historians will speak, not of World War I and World War II but of the first and last world wars.

2. Foreign economic policy

The foreign economic policy of the United States is designed to promote our own prosperity and at the same time to aid in the restoration and expansion of world markets and to contribute thereby to world peace and world security. We shall continue our efforts to provide relief from the devastation of war, to alleviate the sufferings of displaced persons, to assist in reconstruction and development, and to promote the expansion of world trade.

We have already joined the International Monetary Fund and the International Bank for Reconstruction and Development. We have expanded the Export-Import Bank and provided it with additional capital. The Congress has renewed the Trade Agreements Act which provides the necessary framework within which to negotiate a reduction of trade barriers on a reciprocal basis. It has given our support to the United Nations Relief and Rehabilitation Administration.

In accordance with the intentions of the Congress, lend-lease, except as to continuing military lend-lease in China, was terminated upon the surrender of Japan. The first of the lend-lease settlement agreements has been completed with the United Kingdom. Negotiations with other lend-lease countries are in progress. In negotiating these agreements, we intend to seek settlements which will not encumber world trade through war debts of a character that proved to be so detrimental to the stability of the world economy after the last war.

We have taken steps to dispose of the goods which on VJ-day were in the lend-lease pipe line to the various lend-lease countries and to allow them long-term credit for the purpose where necessary. We are also making arrangements under which those countries may use the lend-lease inventories in their possession and acquire surplus property abroad to assist in their economic rehabilitation and reconstruction. These goods will be accounted for at fair values.

The proposed loan to the United Kingdom, which I shall recommend to the Congress in a separate message, will contribute to easing the transition problem of one of our major partners in the war. It will enable the whole sterling area and other countries affiliated with it to resume trade on a multilateral basis. Extension of this credit will enable the United Kingdom to avoid discriminatory trade arrangements of the type which destroyed freedom of trade during the

1930's. I consider the progress toward multilateral trade which will be achieved by this agreement to be in itself sufficient warrant for the credit.

The view of this Government is that, in the longer run, our economic prosperity and the prosperity of the whole world are best served by the elimination of artificial barriers to international trade, whether in the form of unreasonable tariffs or tariff preferences or commercial quotas or embargoes or the restrictive practices of cartels.

The United States Government has issued proposals for the expansion of world trade and employment to which the Government of the United Kingdom has given its support on every important issue. These proposals are intended to form the basis for a trade and employment conference to be held in the middle of this year. If that conference is a success, I feel confident that the way will have been adequately prepared for an expanded and prosperous world trade.

We shall also continue negotiations looking to the full and equitable development of facilities for transportation and communications among nations.

The vast majority of the nations of the world have chosen to work together to achieve, on a cooperative basis, world security and world prosperity. The effort cannot succeed without full cooperation of the United States. To play our part, we must not only resolutely carry out the foreign policies we have adopted but also follow a domestic policy which will maintain full production and employment in the United States. A serious depression here can disrupt the whole fabric of the world economy.

3. Occupied countries

The major tasks of our Military Establishment in Europe following VE-day, and in the Pacific since the surrender of Japan, have been those of occupation and military government. In addition we have given much-needed aid to the peoples of the liberated countries.

The end of the war in Europe found Germany in a chaotic condition. Organized government had ceased to exist, transportation systems had been wrecked, cities and industrial facilities had been bombed into ruins. In addition to the tasks of occupation we had to assume all of the functions of government. Great progress has been made in the repatriation of displaced persons and of prisoners of war. Of the total of 3,500,000 displaced persons found in the United States zone only 460,000 now remain.

The extensive complications involved by the requirement of dealing with three other governments engaged in occupation and with the governments of liberated countries require intensive work and energetic cooperation. The influx of some two million German refugees into our zone of occupation is a pressing problem, making exacting demands upon an already overstrained internal economy.

Improvements in the European economy during 1945 have made it possible for our military authorities to relinquish to the governments of all liberated areas, or to the United Nations Relief and Rehabilitation Administration, the responsibility for the provision of food and

other civilian relief supplies. The Army's responsibilities in Europe extend now only to our zones of occupation in Germany and Austria and to two small areas in northern Italy.

By contrast with Germany, in Japan we have occupied a country still possessing an organized and operating governmental system. Although severely damaged, the Japanese industrial and transportation systems have been able to insure at least a survival existence for the population. The repatriation of Japanese military and civilian personnel from overseas is proceeding as rapidly as shipping and other means permit.

In order to insure that neither Germany nor Japan will again be in a position to wage aggressive warfare, the armament-making potential of these countries is being dismantled and fundamental changes in their social and political structures are being effected. Democratic systems are being fostered to the end that the voice of the common man may be heard in the councils of his government.

For the first time in history the legal culpability of war makers is being determined. The trials now in progress in Nürnberg—and those soon to begin in Tokyo—bring before the bar of international justice those individuals who are charged with the responsibility for the sufferings of the past 6 years. We have high hope that this public portrayal of the guilt of these evildoers will bring wholesale and permanent revulsion on the part of the masses of our former enemies against war, militarism, aggression, and notions of race superiority.

4. Demobilization of our armed forces

The cessation of active campaigning does not mean that we can completely disband our fighting forces. For their sake and for the sake of their loved ones at home, I wish that we could. But we still have the task of clinching the victories we have won—of making certain that Germany and Japan can never again wage aggressive warfare, that they will not again have the means to bring on another world war. The performance of that task requires that, together with our allies, we occupy the hostile areas, complete the disarmament of our enemies, and take the necessary measures to see to it that they do not rearm.

As quickly as possible, we are bringing about the reduction of our armed services to the size required for these tasks of occupation and disarmament. The Army and the Navy are following both length-of-service and point systems as far as possible in releasing men and women from the service. The points are based chiefly on length and character of service, and on the existence of dependents.

Over 5 million from the Army have already passed through the separation centers.

The Navy, including the Marine Corps and the Coast Guard, has discharged over one and a half million.

Of the 12 million men and women serving in the Army and Navy at the time of the surrender of Germany, one-half have already been released. The greater part of these had to be brought

back to this country from distant parts of the world.

Of course there are cases of individual hardship in retention of personnel in the service. There will be in the future. No system of such size can operate to perfection. But the systems are founded on fairness and justice, and they are working at full speed. We shall try to avoid mistakes, injustices, and hardship—as far as humanly possible.

We have already reached the point where shipping is no longer the bottleneck in the return of troops from the European theater. The governing factor now has become the requirement for troops in sufficient strength to carry out their missions.

In a few months the same situation will exist in the Pacific. By the end of June, 9 out of 10 who were serving in the armed forces on VE-day will have been released. Demobilization will continue thereafter, but at a slower rate, determined by our military responsibilities.

Our national safety and the security of the world will require substantial armed forces, particularly in overseas service. At the same time it is imperative that we relieve those who have already done their duty, and that we relieve them as fast as we can. To do that, the Army and the Navy are conducting recruiting drives with considerable success.

The Army has obtained nearly 400,000 volunteers in the past 4 months, and the Navy has obtained 80,000. Eighty percent of these volunteers for the regular service have come from those already with the colors. The Congress has made it possible to offer valuable inducements to those who are eligible for enlistment. Every effort will be made to enlist the required number of young men.

The War and Navy Departments now estimate that by a year from now we still will need a strength of about 2,000,000, including officers, for the armed forces—Army, Navy, and Air. I have reviewed their estimates and believe that the safety of the Nation will require the maintenance of an armed strength of this size for the calendar year that is before us.

In case the campaign for volunteers does not produce that number, it will be necessary by additional legislation to extend the Selective Service Act beyond May 16, the date of expiration under existing law. That is the only way we can get the men and bring back our veterans. There is no other way. Action along this line should not be postponed beyond March, in order to avoid uncertainty and disruption.

DOMESTIC AFFAIRS

1. The economic outlook

Prophets of doom predicted that the United States could not escape a runaway inflation during the war and an economic collapse after the war. These predictions have not been borne out. On the contrary, the record of economic stabilization during the war and during the period of reconversion has been an outstanding accomplishment.

We know, however, that nothing is as dangerous as overconfidence, in war

or in peace. We have had to fight hard to hold the line. We have made strenuous efforts to speed reconversion. But neither the danger of a postwar inflation nor of a subsequent collapse in production and employment is yet overcome. We must base our policies not on unreasoning optimism or pessimism but upon a candid recognition of our objectives and upon a careful analysis of foreseeable trends.

Any precise appraisal of the economic outlook at this time is particularly difficult. The period of demobilization and reconversion is fraught with uncertainties. There are also serious gaps in our statistical information. Certain tendencies are, however, fairly clear and recognition of them should serve as background for the consideration of next year's Federal program. In general, the outlook for business is good, and it is likely to continue to be good—provided we control inflation and achieve peace in management-labor relations.

Civilian production and employment can be expected to increase throughout the next year. This does not mean, however, that continuing full employment is assured. It is probable that demobilization of the armed forces will proceed faster than the increase in civilian employment opportunities. Even if substantial further withdrawals from the labor market occur, unemployment will increase temporarily. The extent to which this unemployment will persist depends largely on the speed of industrial expansion and the effectiveness of the policies of the Federal Government.

Along with extraordinary demand there are still at this time many critical shortages resulting from the war. These extraordinary demands and shortages may lead to a speculative boom, especially in the price of securities, real estate, and inventories.

Therefore, our chief worry still is inflation.

While we control this inflationary pressure we must look forward to the time when this extraordinary demand will subside. It will be years before we catch up with the demand for housing. The extraordinary demand for other durable goods, for the replenishment of inventories, and for exports may be satisfied earlier. No backlog of demand can exist very long in the face of our tremendous productive capacity. We must expect again to face the problem of shrinking demand and consequent slackening in sales, production, and employment. This possibility of a deflationary spiral in the future will exist unless we now plan and adopt an effective full employment program.

2. General policies—Immediate and long-range

During the war production for civilian use was limited by war needs and available manpower. Economic stabilization required measures to spread limited supplies equitably by rationing, price controls, increased taxes, savings-bond campaigns, and credit controls. Now, with the surrender of our enemies, economic stabilization requires that policies be directed toward promoting an increase in supplies at low unit prices.

We must encourage the development of resources and enterprises in all parts of the country, particularly in underdeveloped areas. For example, the establishment of new peacetime industries in the Western States and in the South would, in my judgment, add to existing production and markets rather than merely bring about a shifting of production. I am asking the Secretaries of Agriculture, Commerce, and Labor to explore jointly methods for stimulating new industries, particularly in areas with surplus agricultural labor.

We must also aid small-business men and particularly veterans who are competent to start their own businesses. The establishment and development of efficient small-business ventures, I believe, will not take away from, but rather will add to, the total business of all enterprises.

Even with maximum encouragement of production, we cannot hope to remove scarcities within a short time. The most serious deficiencies will persist in the fields of residential housing, building materials, and consumers' durable goods. The critical situation makes continued rent control, price control, and priorities, allocations, and inventory controls absolutely essential. Continued control of consumer credit will help to reduce the pressure on prices of durable goods and will also prolong the period during which the backlog demand will be effective.

While we are meeting these immediate needs we must look forward to a long-range program of security and increased standard of living.

The best protection of purchasing power is a policy of full production and full employment opportunities. Obviously an employed worker is a better customer than an unemployed worker. There always will be, however, some frictional unemployment. In the present period of transition we must deal with such temporary unemployment as results from the fact that demobilization will proceed faster than reconversion or industrial expansion. Such temporary unemployment is probably unavoidable in a period of rapid change. The unemployed worker is a victim of conditions beyond his control. He should be enabled to maintain a reasonable standard of living for himself and his family.

The most serious difficulty in the path of reconversion and expansion is the establishment of a fair wage structure.

The ability of labor and management to work together, and the wage and price policies which they develop, are social and economic issues of first importance.

Both labor and management have a special interest. Labor's interest is very direct and personal because working conditions, wages, and prices affect the very life and happiness of the worker and his family.

Management has a no less direct interest because on management rests the responsibility for conducting a growing and prosperous business.

But management and labor have identical interests in the long run. Good wages mean good markets. Good business means more jobs and better wages. In this age of cooperation and in our highly organized economy the problems

of one very soon become the problems of all.

Better human relationships are an urgent need to which organized labor and management should address themselves. No government policy can make men understand each other, agree, and get along unless they conduct themselves in a way to foster mutual respect and good will.

The Government can, however, help to develop machinery which, with the backing of public opinion, will assist labor and management to resolve their disagreements in a peaceful manner and reduce the number and duration of strikes.

All of us realize that productivity—increased output per man—is in the long run the basis of our standard of living. Management especially must realize that if labor is to work wholeheartedly for an increase in production, workers must be given a just share of increased output in higher wages.

Most industries and most companies have adequate leeway within which to grant substantial wage increases. These increases will have a direct effect in increasing consumer demand to the high levels needed. Substantial wage increases are good business for business because they assure a large market for their products; substantial wage increases are good business for labor because they increase labor's standard of living; substantial wage increases are good business for the country as a whole because capacity production means an active, healthy, friendly citizenry enjoying the benefits of democracy under our free-enterprise system.

Labor and management in many industries have been operating successfully under the Government's wage-price policy. Upward revisions of wage scales have been made in thousands of establishments throughout the Nation since VJ-day. It is estimated that about 6 million workers, or more than 20 percent of all employees in nonagricultural and nongovernmental establishments, have received wage increases since August 13, 1945. The amounts of increase given by individual employers concentrate between 10 and 15 percent, but range from less than 5 percent to over 30 percent.

The United States Conciliation Service since VJ-day has settled over 3,000 disputes affecting over 1,300,000 workers without a strike threat and has assisted in settling about 1,300 disputes where strikes were threatened which involved about 500,000 workers. Only workers directly involved, and not those in related industries who might have been indirectly affected, are included in these estimates.

Many of these adjustments have occurred in key industries and would have seemed to us major crises if they had not been settled peaceably.

Within the framework of the wage-price policy there has been definite success, and it is to be expected that this success will continue in a vast majority of the cases arising in the months ahead.

However, everyone who realizes the extreme need for a swift and orderly reconversion must feel a deep concern about

the number of major strikes now in progress. If long continued, these strikes could put a heavy brake on our program.

I have already made recommendations to the Congress as to the procedure best adapted to meeting the threat of work stoppages in Nation-wide industries without sacrificing the fundamental rights of labor to bargain collectively and ultimately to strike in support of their position.

If we manage our economy properly, the future will see us on a level of production half again as high as anything we have ever accomplished in peacetime. Business can in the future pay higher wages and sell for lower prices than ever before. This is not true now for all companies, nor will it ever be true for all, but for business generally it is true.

We are relying on all concerned to develop, through collective bargaining, wage structures that are fair to labor, allow for necessary business incentives, and conform with a policy designed to hold the line on prices.

Production and more production was the byword during the war and still is during the transition from war to peace. However, when deferred demand slackens we shall once again face the deflationary dangers which beset this and other countries during the 1930's. Prosperity can be assured only by a high level of demand supported by high current income; it cannot be sustained by deferred needs and use of accumulated savings.

If we take the right steps in time we can certainly avoid the disastrous excesses of runaway booms and headlong depressions. We must not let a year or two of prosperity lull us into a false feeling of security and a repetition of the mistakes of the 1920's that culminated in the crash of 1929.

During the year ahead the Government will be called upon to act in many important fields of economic policy, from taxation and foreign trade to social security and housing. In every case there will be alternatives. We must choose the alternatives which will best measure up to our need for maintaining production and employment in the future. We must never lose sight of our long-term objectives—the broadening of markets, the maintenance of steadily rising demand. This demand can come from only three sources—consumers, businesses, or government.

In this country the job of production and distribution is in the hands of businessmen, farmers, workers, and professional people—in the hands of our citizens. We want to keep it that way. However, it is the Government's responsibility to help business, labor, and farmers do their jobs.

There is no question in my mind that the Government, acting on behalf of all the people, must assume the ultimate responsibility for the economic health of the Nation. There is no other agency that can. No other organization has the scope or the authority, nor is any other agency accountable to all the people. This does not mean that the Government has the sole responsibility, nor that it can do the job alone, nor that it can do the job directly.

All the policies of the Federal Government must be geared to the objective of sustained full production and full employment—to raise consumer purchasing power and to encourage business investment. The programs we adopt this year and from now on will determine our ability to achieve our objectives. We must continue to pay particular attention to our fiscal, monetary, and tax policy, programs to aid business—especially small business—and transportation, labor-management relations and wage-price policy, social security and health, education, the farm program, public works, housing and resource development, and economic foreign policy.

For example, the kinds of tax measures we have at different times—whether we raise our revenue in a way to encourage consumer spending and business investment or to discourage it—have a vital bearing on this question. It is affected also by regulations on consumer credit and by the money market, which is strongly influenced by the rate of interest on Government securities. It is affected by almost every step we take.

In short, the way we handle the proper functions of government, the way we time the exercise of our traditional and legitimate governmental functions, has a vital bearing on the economic health of the Nation.

These policies are discussed in greater detail in the accompanying Fifth Quarterly Report of the Director of War Mobilization and Reconversion.

3. Legislation heretofore recommended and still pending

To attain some of these objectives and to meet the other needs of the United States in the reconversion and postwar period, I have from time to time made various recommendations to the Congress.

In making these recommendations I have indicated the reasons why I deemed them essential for progress at home and abroad. A few—a very few—of these recommendations have been enacted into law by the Congress. Most of them have not. I here reiterate some of them, and discuss others later in this message. I urge upon the Congress early consideration of them. Some are more urgent than others, but all are necessary.

(1) Legislation to authorize the President to create fact-finding boards for the prevention of stoppages of work in Nation-wide industries after collective bargaining and conciliation and voluntary arbitration have failed—as recommended by me on December 3, 1945.

(2) Enactment of a satisfactory full employment bill such as the Senate bill now in conference between the Senate and the House—as recommended by me on September 6, 1945.

(3) Legislation to supplement the unemployment insurance benefits for unemployed workers now provided by the different States—as recommended by me on May 28, 1945.

(4) Adoption of a permanent Fair Employment Practice Act—as recommended by me on September 6, 1945.

(5) Legislation substantially raising the amount of minimum wages now provided by law—as recommended by me on September 6, 1945.

(6) Legislation providing for a comprehensive program for scientific research—as recommended by me on September 6, 1945.

(7) Legislation enacting a health and medical care program—as recommended by me on November 19, 1945.

(8) Legislation adopting the program of universal training—as recommended by me on October 23, 1945.

(9) Legislation providing an adequate salary scale for all Government employees in all branches of the Government—as recommended by me on September 6, 1945.

(10) Legislation making provision for succession to the Presidency in the event of the death or incapacity or disqualification of the President and Vice President—as recommended by me on June 19, 1945.

(11) Legislation for the unification of the armed services—as recommended by me on December 19, 1945.

(12) Legislation for the domestic use and control of atomic energy—as recommended by me on October 3, 1945.

(13) Retention of the United States Employment Service in the Federal Government for a period at least up to June 30, 1947—as recommended by me on September 6, 1945.

(14) Legislation to increase unemployment allowances for veterans in line with increases for civilians—as recommended by me on September 6, 1945.

(15) Social-security coverage for veterans for their period of military service—as recommended by me on September 6, 1945.

(16) Extension of crop insurance—as recommended by me on September 6, 1945.

(17) Legislation permitting the sale of ships by the Maritime Commission at home and abroad—as recommended by me on September 6, 1945. I further recommend that this legislation include adequate authority for chartering vessels both here and abroad.

(18) Legislation to take care of the stock piling of materials in which the United States is naturally deficient—as recommended by me on September 6, 1945.

(19) Enactment of Federal airport legislation—as recommended by me on September 6, 1945.

(20) Legislation repealing the Johnson Act on foreign loans—as recommended by me on September 6, 1945.

(21) Legislation for the development of the Great Lakes-St. Lawrence River Basin—as recommended by me on October 3, 1945.

4. Policies in specific fields

(a) Extension of Price Control Act

Today inflation is our greatest immediate domestic problem. So far the fight against inflation has been waged successfully. Since May 1943, following President Roosevelt's "hold the line" order and in the face of the greatest pressures which this country has ever seen, the cost of living index has risen 3 percent. Wholesale prices in this same period have been held to an increase of 2½ percent.

This record has been made possible by the vigorous efforts of the agencies responsible for this program. But their

efforts would have been fruitless if they had not had the solid support of the great masses of our people. The Congress is to be congratulated for its role in providing the legislation under which this work has been carried out.

On VJ-day it was clear to all thinking people that the danger of inflation was by no means over. Many of us can remember vividly our disastrous experience following World War I. Then the very restricted wartime controls were lifted too quickly, and as a result prices and rents moved more rapidly upward. In the year and a half following the armistice, rents, food, and clothing shot to higher and still higher levels.

When the inevitable crash occurred less than 2 years after the end of the war, business bankruptcies were widespread. Profits were wiped out. Inventory losses amounted to billions of dollars. Farm income dropped by one-half. Factory pay rolls dropped 40 percent and nearly one-fifth of all our industrial workers were walking the streets in search of jobs. This was a grim greeting, indeed, to offer our veterans who had just returned from overseas.

When I addressed the Congress in September, I emphasized that we must continue to hold the price line until the production of goods caught up with the tremendous demands. Since then we have seen demonstrated the strength of the inflationary pressures which we have to face.

Retail sales in the closing months of 1945 ran 12 percent above the previous peak for that season, which came in 1944. Prices throughout the entire economy have been pressing hard against the price ceilings. The prices of real estate, which cannot now be controlled under the law, are rising rapidly. Commercial rents are not included in the present price-control law and, where they are not controlled by State law, have been increasing, causing difficulties to many businessmen.

It will be impossible to maintain a high purchasing power or an expanding production unless we can keep prices at levels which can be met by the vast majority of our people. Full production is the greatest weapon against inflation, but until we can produce enough goods to meet the threat of inflation the Government will have to exercise its wartime control over prices.

I am sure that the people of the United States are disturbed by the demands made by several business groups with regard to price and rent control.

I am particularly disturbed at the effect such thinking may have on production and employment. If manufacturers continue to hold back goods and decline to submit bids when invited—as I am informed some are doing—in anticipation of higher prices which would follow the end of price controls, we shall inevitably slow down production and create needless unemployment. On the other hand, there are the vast majority of American businessmen who are not holding back goods, but who need certainty about the Government pricing policy in order to fix their own long-range pricing policies.

Businessmen are entitled therefore to a clear statement of the policy of the Government on the subject. Tenants and housewives, farmers and workers—consumers in general—have an equal right.

We are all anxious to eliminate unnecessary controls just as rapidly as we can do so. The steps that we have already taken in many directions toward that end are a clear indication of our policy.

The present Price Control Act expires on June 30, 1946. If we expect to maintain a steady economy we shall have to maintain price and rent control for many months to come. The inflationary pressures on prices and rents, with relatively few exceptions, are now at an all-time peak. Unless the Price Control Act is renewed there will be no limit to which our price levels would soar. Our country would face a national disaster.

We cannot wait to renew the act until immediately before it expires. Inflation results from psychological as well as economic conditions. The country has a clear right to know where the Congress stands on this all-important problem. Any uncertainty now as to whether the act will be extended gives rise to price speculation, to withholding of goods from the market in anticipation of rising prices, and to delays in achieving maximum production.

I do not doubt that the Congress will be beset by many groups who will urge that the legislation that I have proposed should either be eliminated or modified to the point where it is nearly useless. The Congress has a clear responsibility to meet this challenge with courage and determination. I have every confidence that it will do so.

I strongly urge that the Congress now resolve all doubts and as soon as possible adopt legislation continuing rent and price control in effect for a full year from June 30, 1946.

(b) Food subsidies

If the price line is to be held, if our people are to be protected against the inflationary dangers which confront us, we must do more than extend the Price Control Act. In September we were hopeful that the inflationary pressures would by this time have begun to diminish. We were particularly hopeful on food. Indeed, it was estimated that food prices at retail would drop from 3 to 5 percent in the first 6 months following the end of the war.

In anticipation of this decline in food prices, it was our belief that food subsidies could be removed gradually during the winter and spring months, and eliminated almost completely by June 30 of this year. It was our feeling that the food subsidies could be dropped without an increase to the consumer in the present level of food prices or in the overall cost of living.

As matters stand today, however, food prices are pressing hard against the ceilings. The expected decline in food prices has not occurred, nor is it likely to occur for many months to come. This brings me to the reluctant conclusion that food subsidies must be continued beyond June 30, 1946.

If we fail to take this necessary step, meat prices on July 1 will be from 3 to 5 cents higher than their average present levels; butter will be at least 12 cents a pound higher, in addition to the 5-cents-a-pound increase of last fall; milk will increase from 1 to 2 cents a quart; bread will increase about 1 cent a loaf; sugar will increase over 1 cent a pound; cheese, in addition to the increase of 4 cents now planned for the latter part of this month, will go up an additional 8 cents. In terms of percentages we may find the cost-of-living index for food increased by more than 8 percent, which in turn would result in more than a 3-percent increase in the cost of living.

If prices of food were allowed to increase by these amounts, I must make it clear to the Congress that, in my opinion, it would become extremely difficult for us to control the forces of inflation.

None of us likes subsidies. Our farmers, in particular, have always been opposed to them.

But I believe our farmers are as deeply conscious as any group in the land of the havoc which inflation can create. Certainly, in the past 18 months there has been no group which has fought any harder in support of the Government's price-control program. I am confident that, if the facts are placed before them and if they see clearly the evils between which we are forced to choose, they will understand the reasons why subsidies must be continued.

The legislation continuing the use of food subsidies into the new fiscal year should be tied down specifically to certain standards. A very proper requirement, in my opinion, would be that subsidies be removed as soon as it is indicated that the cost of living will decline below the present levels.

(c) Extension of War Powers Act

The Second War Powers Act has recently been extended by the Congress for 6 months instead of for a year. It will now expire, unless further extended, on June 30, 1946. This act is the basis for priority and inventory controls governing the use of scarce materials, as well as for other powers essential to orderly reconversion.

I think that this administration has given adequate proof of the fact that it desires to eliminate wartime controls as quickly and as expeditiously as possible. However, we know that there will continue to be shortages of certain materials caused by the war even after June 30, 1946. It is important that businessmen know now that materials in short supply are going to be controlled and distributed fairly as long as these war-born shortages continue.

I, therefore, urge the Congress soon to extend the Second War Powers Act. We cannot afford to wait until just before the act expires next June. To wait would cause the controls to break down in a short time and would hamper our production and employment program.

(d) Small business and competition

A rising birth rate for small business, and a favorable environment for its growth, are not only economic necessities but also important practical demonstrations of opportunity in a democratic free

society. A great many veterans and workers with new skills and experience will want to start in for themselves. The opportunity must be afforded them to do so. They are the small-business men of the future.

Actually, when we talk about small business we are talking about almost all of the Nation's individual businesses. Nine out of every ten concerns fall into this category, and 45 percent of all workers are employed by them. Between 30 and 40 percent of the total value of all business transactions are handled by small business.

It is obvious national policy to foster the sound development of small business. It helps to maintain high levels of employment and national income and consumption of the goods and services that the Nation can produce. It encourages the competition that keeps our free-enterprise economy vigorous and expanding. Small business, because of its flexibility, assists in the rapid exploitation of scientific and technological discoveries. Investment in small business can absorb a large volume of savings that might otherwise not be tapped.

The Government should encourage and is encouraging small-business initiative and originality to stimulate progress through competition.

During the war, the Smaller War Plants Corporation assisted small concerns to make a maximum contribution to victory. The work of the Smaller War Plants Corporation is being carried on in peacetime by the Federal Loan Agency and the Department of Commerce. The fundamental approach to the job of encouraging small concerns must be based on:

1. Arrangements for making private and public financial resources available on reasonable terms.
2. Provision of technical advice and assistance to business as a whole on production, research, and management problems. This will help equalize competitive relationships between large and small companies, for many of the small companies cannot afford expensive technical research, accounting, and tax advice.
3. Elimination of trade practices and agreements which reduce competition and discriminate against new or small enterprises.

We speak a great deal about the free-enterprise economy of our country. It is competition that keeps it free. It is competition that keeps it growing and developing. The truth is that we need far more competition in the future than we have had in the immediate past.

By strangling competition, monopolistic activity prevents or deters investment in new or expanded production facilities. This lessens the opportunity for employment and chokes off new outlets for idle savings. Monopoly maintains prices at artificially high levels and reduces consumption which, with lower prices, would rise and support larger production and higher employment. Monopoly, not being subject to competitive pressure, is slow to take advantage of technical advances which would lower prices or improve quality. All three of these monopolistic activities very directly

lower the standard of living—through higher prices and lower quality of product—which free competition would improve.

The Federal Government must protect legitimate business and consumers from predatory and monopolistic practices by the vigilant enforcement of regulatory legislation. The program will be designed to have a maximum impact upon monopolistic bottlenecks and unfair competitive practices hindering expansion in employment.

During the war, enforcement of anti-monopoly laws was suspended in a number of fields. The Government must now take major steps not only to maintain enforcement of antitrust laws but to encourage new and competing enterprises in every way. The deferred demand of the war years and the large accumulations of liquid assets provide ample incentive for expansion. Equalizing of business opportunity, under full and free competition, must be a prime responsibility in the reconversion period and in the years that follow. Many leading businessmen have recognized the importance of such action both to themselves and to the economy as a whole.

But we must do more than break up trusts and monopolies after they have begun to strangle competition. We must take positive action to foster new, expanding enterprises. By legislation and by administration we must take specific steps to discourage the formation or the strengthening of competition-restricting business. We must have an over-all antimonopoly policy which can be applied by all agencies of the Government in exercising the functions assigned to them—a policy designed to encourage the formation and growth of new and freely competitive enterprises.

Among the many departments and agencies which have parts in the program affecting business and competition, the Department of Commerce has a particularly important role. That is why I have recommended a substantial increase in appropriations for the next fiscal year for this Department.

In its assistance to industry, the Department of Commerce will concentrate its efforts on these primary objectives: Promotion of a large and well-balanced foreign trade; provision of improved technical assistance and management aids, especially for small enterprises; and strengthening of basic statistics on business operations, both by industries and by regions. To make new inventions and discoveries available more promptly to all businesses, small and large, the Department proposes to expand its own research activities, promote research by universities, improve Patent Office procedures, and develop a greatly expanded system of field offices readily accessible to the businesses they serve.

Many gaps exist in the private financial mechanism, especially in the provision of long-term funds for small- and medium-sized enterprises. In the peacetime economy the Reconstruction Finance Corporation will take the leadership in assuring adequate financing for small enterprises which cannot secure

funds from other sources. Most of the funds should and will be provided by private lenders; but the Reconstruction Finance Corporation will share any unusual risks through guaranties of private loans, with direct loans only when private capital is unwilling to participate on a reasonable basis.

(e) Minimum wage

Full employment and full production may be achieved only by maintaining a level of consumer income far higher than that of the prewar period. A high level of consumer income will maintain the market for the output of our mills, farms, and factories, which we have demonstrated during the war years that we can produce. One of the basic steps which the Congress can take to establish a high level of consumer income is to amend the Fair Labor Standards Act to raise substandard wages to a decent minimum and to extend similar protection to additional workers who are not covered by the present act.

Substandard wages are bad for business and for the farmer. Substandard wages provide only a substandard market for the goods and services produced by American industry and agriculture.

At the present time the Fair Labor Standards Act prescribes a minimum wage of 40 cents an hour for those workers who are covered by the act. The present minimum wage represents an annual income of about \$800 to those continuously employed for 50 weeks—clearly a wholly inadequate budget for an American family. I am in full accord with the proposal now pending in the Congress that the statutory minimum be raised immediately to 65 cents an hour, with further increases to 70 cents after 1 year and to 75 cents after 2 years. I also favor the proposal that the industry committee procedure be used to set rates higher than 65 cents per hour during the 2-year interval before the 75-cent basic wage would otherwise become applicable.

The proposed minimum wage of 65 cents an hour would assure the worker an annual income of about \$1,300 a year in steady employment. This amount is clearly a modest goal. After considering cost-of-living increases in recent years, it is little more than a 10-cent increase over the present legal minimum. In fact, if any large number of workers earn less than this amount, we will find it impossible to maintain the levels of purchasing power needed to sustain the stable prosperity which we desire. Raising the minimum to 75 cents an hour will provide the wage earner with an annual income of \$1,500 if he is fully employed.

The proposed higher minimum wage levels are feasible without involving serious price adjustments or serious geographic dislocations.

Today about 20 percent of our manufacturing wage earners—or about 2 million—earn less than 65 cents an hour. Because wages in most industries have risen during the war, this is about the same as the proportion—17 percent—who were earning less than 40 cents an hour in 1941.

I also recommend that minimum wage protection be extended to several groups of workers not now covered. The need for a decent standard of living is by no means limited to those workers who happen to be covered by the act as it now stands. It is particularly vital at this period of readjustment in the national economy and readjustment in employment of labor to extend minimum wage protection as far as possible.

Lifting the basic minimum wage is necessary, it is justified as a matter of simple equity to workers, and it will prove not only feasible but also directly beneficial to the Nation's employers.

(f) Agricultural programs

The farmers of America generally are entering the crop year of 1946 in better financial condition than ever before. Farm mortgage debt is the lowest in 30 years. Farmers' savings are the largest in history. Our agricultural plant is in much better condition than after World War I. Farm machinery and supplies are expected to be available in larger volume, and farm labor problems will be less acute.

The demand for farm products will continue strong during the next year or two because domestic purchases will be supplemented by a high level of exports and foreign relief shipments. It is currently estimated that from 7 to 10 percent of the total United States food supply may be exported in the calendar year 1946.

Farm prices are expected to remain at least at their present levels in the immediate future, and for at least the next 12 months they are expected to yield a net farm income double the 1935-39 average and higher than in any year prior to 1943.

We can look to the future of agriculture with greater confidence than in many a year in the past. Agriculture itself is moving confidently ahead, planning for another year of big production, taking definite and positive steps to lead the way toward an economy of abundance.

Agricultural production goals for 1946 call for somewhat greater acreage than actually was planted in 1945. Agriculture is prepared to demonstrate that it can make a peacetime contribution as great as its contribution toward the winning of the war.

In spite of supplying our armed forces and our allies during the war with a fifth to a fourth of our total food output, farmers were still able to provide our civilians with 8 percent more food per capita than the average for the 5 years preceding the war. Since the surrender of Japan, civilian food consumption has risen still further. By the end of 1945 the amount of the increase in food consumption was estimated to be as high as 15 percent over the prewar average. The record shows that the people of this country want and need more food and that they will buy more food if only they have the jobs and the purchasing power. The first essential therefore in providing fully for the welfare of agriculture is to maintain full employment and a high level of purchasing power throughout the Nation.

For the period immediately ahead we shall still have the problem of supplying enough food. If we are to do our part in aiding the war-stricken and starving countries some of the food desires of our own people will not be completely satisfied, at least until these nations have had an opportunity to harvest another crop. During the next few months the need for food in the world will be more serious than at any time during the war. And, despite the large shipments we have already made, and despite what we shall send, there remain great needs abroad.

Beyond the relief feeding period, there will still be substantial foreign outlets for our farm commodities. The chief dependence of the farmer, however, as always, must be upon the buying power of our own people.

The first obligation of the Government to agriculture for the reconversion period is to make good on its price-support commitments. This we intend to do, with realistic consideration for the sound patterns of production that will contribute most to the long-time welfare of agriculture and the whole Nation. The period during which prices are supported will provide an opportunity for farmers individually to strengthen their position in changing over from a wartime to a peacetime basis of production. It will provide an opportunity for the Congress to review the needs of agriculture and make changes in national legislation where experience has shown changes to be needed. In this connection, the Congress will wish to consider legislation to take the place of the 1937 Sugar Act which expires at the end of this year. During this period we must do a thorough job of basic planning to the end that agriculture shall be able to contribute its full share toward a healthy national economy.

Our long-range agricultural policies should have two main objectives: First, to assure the people on the farms a fair share of the national income; and, second, to encourage an agricultural-production pattern that is best fitted to the Nation's needs. To accomplish this second objective we shall have to take into consideration changes that have taken place and will continue to take place in the production of farm commodities—changes that affect costs and efficiency and volume.

What we seek ultimately is a high level of food production and consumption that will provide good nutrition for everyone. This cannot be accomplished by agriculture alone. We can be certain of our capacity to produce food, but we have often failed to distribute it as well as we should and to see that our people can afford to buy it. The way to get good nutrition for the whole Nation is to provide employment opportunities and purchasing power for all groups that will enable them to buy full diets at market prices.

Wherever purchasing power fails to reach this level we should see that they have some means of getting adequate food at prices in line with their ability to buy. Therefore, we should have available supplementary programs that will

enable all our people to have enough of the right kind of food.

For example, one of the best possible contributions toward building a stronger, healthier Nation would be a permanent school-lunch program on a scale adequate to assure every school child a good lunch at noon. The Congress, of course, has recognized this need for a continuing school-lunch program and legislation to that effect has been introduced and hearings held. The plan contemplates the attainment of this objective with a minimum of Federal expenditures. I hope that the legislation will be enacted in time for a permanent program to start with the beginning of the school year next fall.

We have the technical knowledge and the productive capacity to provide plenty of good food for every man, woman, and child in the United States. It is time we made that possibility a reality.

(g) Resource development

The strength of our Nation and the welfare of the people rest upon the natural resources of the country. We have learned that proper conservation of our lands, including our forests and minerals, and wise management of our waters will add immensely to our national wealth.

The first step in the Government's conservation program must be to find out just what are our basic resources, and how they should be used. We need to take, as soon as possible, an inventory of the lands, the minerals, and the forests of the Nation.

During the war it was necessary to curtail some of our long-range plans for development of our natural resources, and to emphasize programs vital to the prosecution of the war. Work was suspended on a number of flood-control and reclamation projects and on the development of our national forests and parks. This work must now be resumed, and new projects must be undertaken to provide essential services and to assist in the process of economic development.

The rivers of America offer a great opportunity to our generation in the management of the national wealth. By a wise use of Federal funds, most of which will be repaid into the Treasury, the scourge of floods and drought can be curbed, water can be brought to arid lands, navigation can be extended, and cheap power can be brought alike to the farms and to the industries of our land.

Through the use of the waters of the Columbia River, for example, we are creating a rich agricultural area as large as the State of Delaware. At the same time, we are producing power at Grand Coulee and at Bonneville which played a mighty part in winning the war and which will found a great peacetime industry in the Northwest. The Tennessee Valley Authority will resume its peacetime program of promoting full use of the resources of the Valley. We shall continue our plans for the development of the Missouri Valley, the Arkansas Valley, and the Central Valley of California.

The Congress has shown itself alive to the practical requirements for a bene-

ficial use of our water resources by providing that preference in the sale of power be given to farmers' cooperatives and public agencies. The public power program thus authorized must continue to be made effective by building the necessary generating and transmission facilities to furnish the maximum of firm power needed at the wholesale markets, which are often distant from the dam sites.

These great developmental projects will open the frontiers of agriculture, industry, and commerce. The employment opportunities thus offered will also go far to ease the transition from war to peace.

(h) Public works

During the war even urgently needed Federal, State, and local construction projects were deferred in order to release resources for war production. In resuming public-works construction, it is desirable to proceed only at a moderate rate, since demand for private construction will be abnormally high for some time. Our public-works program should be timed to reach its peak after demand for private construction has begun to taper off. Meanwhile however, plans should be prepared if we are to act promptly when the present extraordinary private demand begins to run out.

The Congress made money available to Federal agencies for their public-works planning in the fiscal year 1946. I strongly recommend that this policy be continued and extended in the fiscal year 1947.

State and local governments also have an essential role to play in a national public-works program. In my message of September 6, 1945, I recommended that the Congress vote such grants to State and local governments as will insure that each level of government makes its proper contribution to a balanced public-construction program. Specifically, the Federal Government should aid State and local governments in planning their own public-works programs, in undertaking projects related to Federal programs of regional development, and in constructing such public works as are necessary to carry out the various policies of the Federal Government.

Early in 1945 the Congress made available advances to State and local governments for planning public-works projects, and recently made additional provision to continue these advances through the fiscal year 1946. I believe that further appropriations will be needed for the same purpose for the fiscal year 1947.

The Congress has already made provision for highway programs. It is now considering legislation which would expand Federal grants and loans in several other fields, including construction of airports, hospital and health centers, housing, water pollution control facilities, and educational plant facilities. I hope that early action will be taken to authorize these Federal programs.

With respect to public works of strictly local importance, State and local governments should proceed without Federal assistance except in planning. This

rule should be subject to review when and if the prospect of highly adverse general economic developments warrants it.

All loans and grants for public works should be planned and administered in such a way that they are brought into accord with the other elements of the Federal program.

Our long-run objective is to achieve a program of direct Federal and federally assisted public works which is planned in advance and synchronized with business conditions. In this way it can make its greatest contribution to general economic stability.

(1) National housing program

Last September I stated in my message to the Congress that housing was high on the list of matters calling for decisive action.

Since then the housing shortage in countless communities, affecting millions of families, has magnified this call to action.

Today we face both an immediate emergency and a major postwar problem.

Since VJ-day the wartime housing shortage has been growing steadily worse and pressure on real-estate values has increased. Returning veterans often cannot find a satisfactory place for their families to live, and many who buy have to pay exorbitant prices. Rapid demobilization inevitably means further overcrowding.

A realistic and practical attack on the emergency will require aggressive action by local governments, with Federal aid, to exploit all opportunities and to give the veterans as far as possible first chance at vacancies. It will require continuation of rent control in shortage areas as well as legislation to permit control of sales prices. It will require maximum conversion of temporary war units for veterans' housing and their transportation to communities with the most pressing needs. The Congress has already appropriated funds for this purpose.

The inflation in the price of housing is growing daily.

As a result of the housing shortage it is inevitable that the present dangers of inflation in home values will continue unless the Congress takes action in the immediate future.

Legislation is now pending in the Congress which would provide for ceiling prices for old and new houses. The authority to fix such ceilings is essential. With such authority, our veterans and other prospective home owners would be protected against a skyrocketing of home prices. The country would be protected from the extension of the present inflation in home values which, if allowed to continue, will threaten not only the stabilization program but our opportunities for attaining a sustained high level of home construction.

Such measures are necessary stopgaps—but only stopgaps. This emergency action, taken alone, is good—but not enough. The housing shortage did not start with the war or with demobilization; it began years before that, and

has steadily accumulated. The speed with which the Congress establishes the foundation for a permanent, long-range housing program will determine how effectively we grasp the immense opportunity to achieve our goal of decent housing and to make housing a major instrument of continuing prosperity and full employment in the years ahead. It will determine whether we move forward to a stable and healthy housing enterprise and toward providing a decent home for every American family.

Production is the only fully effective answer. To get the wheels turning, I have appointed an emergency housing expeditor. I have approved establishment of priorities designed to assure an ample share of scarce materials to builders of houses for which veterans will have preference. Additional price and wage adjustments will be made where necessary, and other steps will be taken to stimulate greater production of bottleneck items. I recommend consideration of every sound method for expansion in facilities for insurance of privately financed housing by the Federal Housing Administration and resumption of previously authorized low-rent public-housing projects suspended during the war.

In order to meet as many demands of the emergency situation as possible, a program of emergency measures is now being formulated for action. These will include steps in addition to those already taken. As quickly as this program can be formulated announcement will be made.

Last September I also outlined to the Congress the basic principles for the kind of decisive, permanent legislation necessary for a long-range housing program.

These principles place paramount the fact that housing construction and financing for the overwhelming majority of our citizens should be done by private enterprise. They contemplate also that we afford governmental encouragement to privately financed house construction for families of moderate income, through extension of the successful system of insurance of housing investment; that research be undertaken to develop better and cheaper methods of building homes; that communities be assisted in appraising their housing needs; that we commence a program of Federal aid, with fair local participation, to stimulate and promote the rebuilding and redevelopment of slums and blighted areas—with maximum use of private capital. It is equally essential that we use public funds to assist families of low income who could not otherwise enjoy adequate housing, and that we quicken our rate of progress in rural housing.

Legislation now under consideration by the Congress provides for a comprehensive attack jointly by private enterprise, State and local authorities, and the Federal Government. This legislation would make permanent the National Housing Agency and give it authority and funds for much-needed technical and economic research. It would provide additional stimulus for privately financed housing construction. This stimulus consists of establishing a new system of yield in-

surance to encourage large-scale investment in rental housing and broadening the insuring powers of the Federal Housing Administration and the lending powers of the Federal savings and loan associations.

Where private industry cannot build, the Government must step in to do the job. The bill would encourage expansion in housing available for the lowest-income groups by continuing to provide direct subsidies for low-rent housing and rural housing. It would facilitate land assembly for urban redevelopment by loans and contributions to local public agencies where the localities do their share.

Prompt enactment of permanent housing legislation along these lines will not interfere with the emergency action already under way. On the contrary, it would lift us out of a potentially perpetual state of housing emergency. It would offer the best hope and prospect to millions of veterans and other American families that the American system can offer more to them than temporary makeshifts.

I have said before that the people of the United States can be the best-housed people in the world. I repeat that assertion, and I welcome the cooperation of the Congress in achieving that goal.

(2) Social security and health

Our Social Security System has just celebrated its tenth anniversary. During the past decade this program has supported the welfare and morale of a large part of our people by removing some of the hazards and hardships of the aged, the unemployed, and widows and dependent children.

But, looking back over 10 years' experience and ahead to the future, we cannot fail to see defects and serious inadequacies in our system as it now exists. Benefits are in many cases inadequate; a great many persons are excluded from coverage; and provision has not been made for social insurance to cover the cost of medical care and the earnings lost by the sick and the disabled.

In the field of old-age security there seems to be no adequate reason for excluding such groups as the self-employed, agricultural and domestic workers, and employees of nonprofit organizations. Since many of these groups earn wages too low to permit significant savings for old age, they are in special need of the assured income that can be provided by old-age insurance.

We must take urgent measures for the readjustment period ahead. The Congress for some time has been considering legislation designed to supplement at Federal expense, during the immediate reconversion period, compensation payments to the unemployed. Again I urge the Congress to enact legislation liberalizing unemployment compensation benefits and extending the coverage. Providing for the sustained consumption by the unemployed persons and their families is more than a welfare policy; it is sound economic policy. A sustained high level of consumer purchases is a basic ingredient of a prosperous economy.

During the war nearly 5 million men were rejected for military service because of physical or mental defects which in many cases might have been prevented or corrected. This is shocking evidence that large sections of the population are at substandard levels of health. The need for a program that will give everyone opportunity for medical care is obvious. Nor can there be any serious doubt of the Government's responsibility for helping in this human and social problem.

The comprehensive health program which I recommended on November 19, 1945, will require substantial additions to the Social Security System and, in conjunction with other changes that need to be made, will require further consideration of the financial basis for social security. The system of prepaid medical care which I have recommended is expected eventually to require amounts equivalent to 4 percent of earnings up to \$3,600 a year, which is about the average of present expenditures by individuals for medical care. The pooling of medical costs, under a plan which permits each individual to make a free choice of doctor and hospital, would assure that individuals receive adequate treatment and hospitalization when they are faced with emergencies for which they cannot budget individually. In addition, I recommend insurance benefits to replace part of the earnings lost through temporary sickness and permanent disability.

Even without these proposed major additions, it would now be time to undertake a thorough reconsideration of our social-security laws. The structure should be expanded and liberalized. Provision should be made for extending coverage credit to veterans for the period of their service in the armed forces. In the financial provisions we must reconcile the actuarial needs of social security, including health insurance, with the requirements of a revenue system that is designed to promote a high level of consumption and full employment.

(k) Education

Although the major responsibility for financing education rests with the States, some assistance has long been given by the Federal Government. Further assistance is desirable and essential. There are many areas and some whole States where good schools cannot be provided without imposing an undue local tax burden on the citizens. It is essential to provide adequate elementary and secondary schools everywhere and additional educational opportunities for large numbers of people beyond the secondary level. Accordingly, I repeat the proposal of last year's Budget message that the Federal Government provide financial aid to assist the States in assuring more nearly equal opportunities for a good education. The proposed Federal grants for current educational expenditures should be made for the purpose of improving the educational system where improvement is most needed. They should not be used to replace existing non-Federal expenditures, or even

to restore merely the situation which existed before the war.

In the future we expect incomes considerably higher than before the war. Higher incomes should make it possible for State and local governments and for individuals to support higher and more nearly adequate expenditures for education. But inequality among the States will still remain, and Federal help will still be needed.

As a part of our total public-works program, consideration should be given to the need for providing adequate buildings for schools and other educational institutions. In view of current arrears in the construction of educational facilities, I believe that legislation to authorize grants for educational facilities, to be matched by similar expenditures by State and local authorities, should receive the favorable consideration of the Congress.

The Federal Government has not sought, and will not seek, to dominate education in the States. It should continue its historic role of leadership and advice, and, for the purpose of equalizing educational opportunity, it should extend further financial support to the cause of education in areas where this is desirable.

(l) Federal Government personnel

The rapid reconversion of the Federal Government from war to peace is reflected in the demobilization of its civilian personnel. The number of these employees in continental United States has been reduced by more than 500,000 from the total of approximately 2,900,000 employed in the final months of the war. I expect that by next June we shall have made a further reduction of equal magnitude and that there will be continuing reductions during the next fiscal year. Of the special wartime agencies now remaining, only a few are expected to continue actively into the next fiscal year.

At the same time that we have curtailed the number of employees, we have shortened the workweek by one-sixth or more throughout the Government and have restored holidays. The process of readjustment has been complicated and costs have been increased by a heavy turn-over in the remaining personnel—particularly by the loss of some of our best administrators. Thousands of war veterans have been reinstated or newly employed in the civil service. Many civilians have been transferred from war agencies to their former peacetime agencies. Recruitment standards, which had to be relaxed during the war, are now being tightened.

The elimination last autumn of overtime work for nearly all Federal employees meant a sharp cut in their incomes. For salaried workers, the blow was softened but by no means offset by the increased rates of pay which had become effective July 1. Further adjustments to compensate for increased living costs are required. Moreover, we have long needed a general upward revision of Federal Government salary scales at all levels in all branches—legislative, judicial, and executive. Too many in Government have had to sacrifice too much in economic advantage to serve the Nation.

Adequate salaries will result in economies and improved efficiency in the conduct of Government business—gains that will far outweigh the immediate costs. I hope the Congress will expedite action on salary legislation for all Federal employees in all branches of the Government. The only exception I would make is in the case of workers whose pay rates are established by wage boards; a blanket adjustment would destroy the system by which their wages are kept aligned with prevailing rates in particular localities. The wage boards should be sensitive now, as they were during the war, to changes in local prevailing wage rates and should make adjustments accordingly.

I hope also that the Congress may see fit to enact legislation for the adequate protection of the health and safety of Federal employees, for their coverage under a system of unemployment compensation, and for their return at Government expense to their homes after separation from wartime service.

(m) Territories, insular possessions, and the District of Columbia

The major governments of the world face few problems as important and as perplexing as those relating to dependent peoples. This Government is committed to the democratic principle that it is for the dependent peoples themselves to decide what their status shall be. To this end I asked the Congress last October to provide a means by which the people of Puerto Rico might choose their form of government and ultimate status with respect to the United States. I urge, too, that the Congress promptly accede to the wishes of the people of Hawaii that the Territory be admitted to statehood in our Union, and that similar action be taken with respect to Alaska as soon as it is certain that this is the desire of the people of that great Territory. The people of the Virgin Islands should be given an increasing measure of self-government.

We have already determined that the Philippine Islands are to be independent on July 4, 1946. The ravages of war and enemy occupation, however, have placed a heavy responsibility upon the United States. I urge that the Congress complete, as promptly and as generously as may be possible, legislation which will aid economic rehabilitation for the Philippines. This will be not only a just acknowledgment of the loyalty of the people of the Philippines, but it will help to avoid the economic chaos which otherwise will be their heritage from our common war. Perhaps no event in the long centuries of colonialism gives more hope for the pattern of the future than the independence of the Philippines.

The District of Columbia, because of its special relation to the Federal Government, has been treated since 1800 as a dependent area. We should move toward a greater measure of local self-government consistent with the constitutional status of the District. We should take adequate steps to assure that citizens of the United States are not denied their franchise merely because they reside at the Nation's Capital.

III. THE BUDGET FOR THE FEDERAL PROGRAM
FOR THE FISCAL YEAR 1947
SUMMARY OF THE BUDGET

For the first time since the fiscal year 1930 the Budget for the next fiscal year will require no increase in the national debt.

Expenditures of all kinds, authorized and recommended, in the next year are estimated at just about 35.8 billion dollars. Net receipts are estimated at 31.5 billion dollars. The estimated difference of 4.3 billion dollars will be met by a reduction in the very substantial balance which will be in the Treasury during the next fiscal year.

A large part of the activities outside defense and war liquidation, aftermath of war, and international finance, classified as "other activities" in a following table, is still due to repercussions of the war. These "other activities" include more than 2 billion dollars for aids to agriculture and net outlays for the Commodity Credit Corporation—almost double the expenditures for the same purposes in prewar years. This increase is due mainly to expenditures for purposes of price stabilization and price support resulting from the war food-production program. Other increases in this category are due to the fact that certain wartime agencies now in the process of liquidation are included in this group of activities. If all expenditures for those activities which are directly or indirectly related to the war are excluded, the residual expenditures are below those for corresponding activities in prewar years. In making this comparison account should be taken of the fact that, while prewar expenditures were affected by direct relief and work relief for the unemployed, the postwar budgets are affected by the considerable increase in pay rates and other increases in costs and prices.

To elaborate, the Budget, as I have remarked above, reflects on both sides of the ledger the Government's program as recommended by the Executive. It includes estimates not only of expenditures and receipts for which legislative authority already exists, but also of expenditures and receipts for which authorization is recommended.

The Budget total for the next fiscal year, the year that ends on June 30, 1947, is estimated at just above 35.8 billion dollars—about a third of the budgets for global war, although nearly four times the prewar budgets. This estimate is based on the assumption that a rapid liquidation of the war program will be associated with rapid reconversion and expansion of peacetime production. The total includes net outlays of Government corporations.

The estimated expenditures in the next and current fiscal year compare as follows with those of a year of global war and a prewar year.

Fiscal year:	Total Budget expenditures (in millions)
1947	\$35,860
1946	67,229
1945	100,031
1940	9,252

Although allowances for occupation, demobilization, and defense are drastically reduced in the fiscal year 1947, they will still amount to 42 percent of the total Budget. The so-called aftermath of war expenditures account for a further 30 percent of the total. The total of all other programs, which was drastically cut during the war, is increasing again as liquidation of the war program proceeds and renewed emphasis is placed on the peacetime objectives of the Government.

On the other side of the ledger, net receipts are estimated at 31.5 billion dollars. This estimate assumes that all existing taxes will continue all through the fiscal year 1947. Included are the extraordinary receipts from the disposal of surplus property.

As a result, estimated expenditures will exceed estimated receipts by 4.3 billion dollars. This amount can be provided by a reduction in the cash balance in the Treasury. Thus, after a long period of increasing public debt resulting from depression budgets and war budgets, it is anticipated that no increase in the Federal debt will be required next year.

Federal Budget expenditures and Budget receipts—including net outlays of Government corporations and credit agencies (based on existing and proposed legislation)

	Fiscal year	
	1946	1947
Expenditures:		
Defense, war, and war liquidation	\$49,000	\$15,000
Aftermath of war: Veterans, interest, refunds	10,813	10,793
International finance (including proposed legislation)	2,614	2,754
Other activities	4,552	5,813
Activities based on proposed legislation (excluding international finance)	250	1,500
Total expenditures	67,229	35,860
Receipts (net)	38,609	31,513
Excess of expenditures	28,620	4,347

The current fiscal year, 1946, is a year of transition. When the year opened, in July 1945, we were still fighting a major war, and Federal expenditures were running at an annual rate of about 100 billion dollars. By June 1946 that rate will be more than cut in half. The Budget total for the current fiscal year is now estimated at 67.2 billion dollars, of which more than two-thirds provides for war and war liquidation. Since net receipts are estimated at 38.6 billion dollars, there will be an excess of expenditures of 28.6 billion dollars for the current fiscal year.

For all programs discussed in this message I estimate the total of Budget appropriations and authorizations (including reappropriations and permanent appropriations) at 30,982 million dollars for the fiscal year 1947. Of this amount, present permanent appropriations are expected to provide 5,755 million dollars, principally for interest. This leaves 24,224 million dollars to be made available through new appropriations, exclusive of appropriations to liquidate contract au-

thorizations; 900 million dollars in new contract authorizations; and 103 million dollars through the reappropriation of unliquidated balances of previous appropriations. The appropriations needed to liquidate contract authorizations are estimated at 1,113 million dollars.

In the Budget for the year ahead only over-all estimates are included at this time for the major war agencies and for net outlays of Government corporations. Detailed recommendations will be transmitted in the spring for the war agencies, and the business-type budgets of Government corporations will likewise be transmitted in accordance with the recently adopted Government Corporation Control Act.

Similarly, only over-all estimates are provided for new programs recommended in this message; detailed recommendations will be transmitted after authorizing legislation has been enacted. It should be recognized that many of the estimates for new programs recommended in this message are initial year figures. These figures will be affected by the date the legislation is enacted and by the time needed for getting a program under way. New programs, such as that for a national research agency, will require larger amounts in later years. The estimates exclude major elements of the proposed national-health program since the greater part of these will be covered by expenditures from trust funds.

The Budget total includes expenditures for capital outlay as well as for current operations. An estimated 1,740 million dollars will be expended in the fiscal year 1947 for direct Federal public works and for loans and grants for public works.

THE ECONOMIC IMPACT OF THE LIQUIDATION OF
THE WAR PROGRAM

Government programs are of such importance in the development of production and employment opportunities—domestic and international—that it has become essential to formulate and consider the Federal Budget in the light of the Nation's budget as a whole. The relationship between the receipts, expenditures, and savings of consumers, business, and government is shown in the accompanying table.

Considering the whole Nation, total expenditures must equal the total receipts, because what any individual or group spends becomes receipts of other individuals or groups. Such equality can be achieved on either a high level of incomes or on a low or depression level of incomes.

Tremendous orders for munitions during the war shifted production and employment into high gear. Total goods produced and services rendered for private as well as for Government purposes—the Nation's budget—reached about 200 billion dollars in the calendar year 1944. Federal, State, and local government expenditures represented half of this total.

Corresponding estimates for the past 3 months depict the national economy in the process of demobilization and reconversion.

The Government's Budget and the Nation's budget—calendar year 1944 and October-December 1945

Economic group	Calendar year 1944 (global war)			October-December 1945 (start of reconversion) (in seasonally adjusted annual rates)		
	Receipts	Expenditures	Excess (+), deficit (-)	Receipts	Expenditures	Excess (+), deficit (-)
CONSUMERS						
Income after taxes.....	\$134			\$132		
Expenditures.....		\$98			\$107	
Excess of receipts, savings (+)			+\$35			+\$25
BUSINES:						
Undistributing profits and reserves.....	\$13			\$0		
Gross capital formation:						
Domestic.....		\$4			\$15	
Net exports ¹		-2			1	
Total, gross capital formation.....		2			16	
Excess of receipts (+) or capital formation (-).....			+\$11			-\$7
STATE AND LOCAL GOVERNMENT						
Receipts from the public, other than borrowing.....	\$10			\$11		
Payments to the public.....		\$8			\$0	
Excess of receipts (+)			+\$2			+\$2
FEDERAL GOVERNMENT						
Receipts from the public, other than borrowing.....	\$48			\$44		
Payments to the public.....		\$96			\$64	
Excess of payments (-).....			-\$48			-\$20
Less: Adjustments².....	\$7	\$7		\$14	\$14	
TOTAL GROSS NATIONAL PRODUCT						
Receipts.....	\$198			\$182		
Expenditures.....		\$198			\$182	
Balance.....			0			0

¹ Excludes exports for lend-lease and relief which are included in Federal Government expenditures.

² Mainly Government expenditures for other than goods and services, such as mustering-out pay and unemployment compensation.

NOTE.—See corresponding table in part III, page 728, for detailed estimates and explanations.

The wartime annual rate of Federal expenditures has been reduced by 32 billion dollars, while the Nation's budget total has dropped only half as much. The drop in total value of production and services has been less drastic because increasing private activities have absorbed in large measure the manpower

and materials released from war production and war services.

The largest increase in private activities has occurred in business investments, which include residential and other construction, producers' durable equipment, accumulation of inventories, and net exports. Under conditions of global war, expenditures for private construction and equipment were held to a minimum and inventories were depleted. With the beginning of reconversion these developments have been reversed. Residential construction and outlays for plant and equipment are on the increase; inventories, too, are being replenished. International transactions (excluding lend-lease and international relief which are included under war expenditures) showed an import surplus under conditions of global war. In the past 3 months private exports have been slightly in excess of imports, for the first time since 1941.

Consumers' budgets show a significant change. On the income side, their total has declined but little because the reduction in take-home pay of war workers is, to a large extent, offset for the time being by the mustering-out payments received by war veterans and by unemployment compensation received by the unemployed. On the expenditure side, however, consumers' budgets, restricted during the war, have increased substantially as a result of the fact that scarce goods are beginning to appear on the market and wartime restraints are disappearing. Thus, consumers' current savings are declining substantially from the extraordinarily high wartime rate and some wartime savings are beginning to be used for long-delayed purchases.

Unemployment has increased less than was expected during this first period of demobilization and reconversion. It is true that 6 million men and women have been discharged from the armed forces since May 1945 and more than 5 million have been laid off from war work. On the other hand, more than a million civilians have been enlisted in the armed forces, a considerable number of war veterans have not immediately sought jobs, and many war workers, especially women, have withdrawn from the labor force. In addition, many industries, and especially service trades which were undermanned during the war, are beginning now, for the first time in years, to recruit an adequate labor force. The reduced workweek has also contributed to the absorption of those released from war service and war work.

In general, the drastic cut in war programs has thrown the economy into lower gear; it has not thrown it out of gear. Our economic machine demonstrates remarkable resiliency, although there are many difficulties that must still be overcome. The rapid termination of war contracts, prompt clearance of unneeded Government-owned equipment from private plants, and other reconversion policies have greatly speeded up the beginning of peacetime work in reconverted plants.

Although the first great shock of demobilization and war-work termination

has thus been met better than many observers expected, specific industries and specific regions show much unevenness in the progress of reconversion.

The Quarterly Report of the Director of War Mobilization and Reconversion analyzes the difficulties in recruiting personnel and obtaining materials that hamper reconversion in certain industries and proposes policies to deal with these situations. The lack of adequate housing is one of the main factors checking the flow of workers into areas where job opportunities exist.

FEDERAL REVENUE, BORROWING, AND THE PUBLIC DEBT

1. Financial requirements and tax policy

Recommendations for tax legislation should be considered not only in the light of the financial requirements of the ensuing year, but also in the light of future years' financial requirements and a full consideration of economic conditions.

Expenditures are estimated at nearly 36 billion dollars in the fiscal year 1947; they can hardly be expected to be reduced to less than 25 billion dollars in subsequent years. Net receipts in the fiscal year 1947 are estimated at 31.5 billion dollars.

Included in this estimate are 2 billion dollars of receipts from disposal and rental of surplus property and 190 million dollars of receipts from renegotiation of wartime contracts. These sources of receipts will disappear in future years. Tax collections for the fiscal year 1947 also will not yet fully reflect the reduction in corporate tax liabilities provided in the Revenue Act of 1945. If the extraordinary receipts from the disposal of surplus property and renegotiation of contracts be disregarded, and if the tax reductions adopted in the Revenue Act of 1945 were fully effective, present tax rates would yield about 27 billion dollars.

These estimates for the fiscal year 1947 are based on the assumption of generally favorable business conditions but not on an income reflecting full employment and the high productivity that we hope to achieve. In future years the present tax system, in conjunction with a full employment level of national income, could be expected to yield more than 30 billion dollars, which is substantially above the anticipated peacetime level of expenditures.

In view of the still extraordinarily large expenditures in the coming year and continuing inflationary pressures, I am making no recommendation for tax reduction at this time.

We have already had a substantial reduction in taxes from wartime peaks. The Revenue Act of 1945 was a major tax-reduction measure. It decreased the total tax load by more than one-sixth, an amount substantially in excess of the reductions proposed by the Secretary of the Treasury to congressional tax committees in October 1945. These proposed reductions were designed to encourage reconversion and peacetime business expansion.

The possibility of further tax reductions must depend on the budgetary situation and the economic situation. The

level of anticipated expenditures for the fiscal year 1947 and the volume of outstanding public debt require the maintenance of large revenues. Moreover, inflationary pressures still appear dangerously powerful, and ill-advised tax reduction would operate to strengthen them still further.

My decision not to recommend additional tax reductions at this time is made in the light of existing economic conditions and prospects.

2. Borrowing and the public debt

The successful conclusion of the Victory loan marked the end of war borrowing and the beginning of the transition to postwar debt management.

Because of the success of the Victory loan, I am happy to report that the Treasury will not need to borrow any new money from the public during the remainder of the present fiscal year except through regular sales of savings bonds and savings notes. Furthermore, a part of the large cash balance now in the Treasury will be used for debt redemption so that the public debt which now amounts to about 278 billion dollars will decrease by several billion dollars during the next 18 months. The present statutory debt limit of 300 billion dollars will provide an ample margin for all of the public-debt transactions through the fiscal year 1947. The net effect of the excess of expenditures and debt redemption on the Treasury cash balance, as compared with selected previous years, is shown in the following table:

Excess of Budget expenditures, the public debt, and the Treasury cash balance in selected years

[In billions]			
Fiscal year	Excess of Budget expenditures over receipts	Public debt	Cash balance
		At end of period	
1940.....	\$3.9	\$43.0	\$1.9
1945.....	53.6	258.7	24.7
1946:			
July-Dec. 1945.....	18.1	278.1	26.0
Jan.-June 1946.....	10.5	275.0	11.9
1947.....	4.3	271.0	3.2

Although the public debt is expected to decline, a substantial volume of refinancing will be required, because of the large volume of maturing obligations. Redemptions of savings bonds also have been running high in recent months and are expected to remain large for some time. The issuance of savings bonds will be continued. These bonds represent a convenient method of investment for small savers, and also an anti-inflationary method of refinancing. Government agencies and trust funds are expected to buy about 2.5 billion dollars of Government securities during the next 6 months, and 2.8 billion dollars more during the fiscal year 1947. Through these and other debt operations, the distribution of the Federal debt among the various types of public and private owners will change, even though the total is expected to decline.

The interest policies followed in the refinancing operations will have a major impact not only on the provision for interest payments in future budgets, but

also on the level of interest rates prevailing in private financing. The average rate of interest on the debt is now a little under 2 percent. Low interest rates will be an important force in promoting the full production and full employment in the postwar period for which we are all striving. Close wartime cooperation between the Treasury Department and the Federal Reserve System has made it possible to finance the most expensive war in history at low and stable rates of interest. This cooperation will continue.

No less important than the level of interest rates paid on the debt is the distribution of its ownership. Of the total debt, more than half represents direct savings of individuals or investments of funds received from individual savings by life-insurance companies, mutual-savings banks, savings and loan associations, private or Government trust funds, and other agencies.

Most of the remaining debt—more than \$100,000,000,000—is held by the commercial banks and the Federal Reserve banks. Heavy purchases by the banks were necessary to provide adequate funds to finance war expenditures. A considerable portion of these obligations are short-term in character and hence will require refinancing in the coming months and years. Since they have been purchased out of newly created bank funds, continuance of the present low rates of interest is entirely appropriate. To do otherwise would merely increase bank profits at the expense of the taxpayer.

The 275-billion-dollar debt poses a problem that requires careful consideration in the determination of financial and economic policies. We have learned that the problem, serious as it is, can be managed. Its management will require determined action to keep our Federal Budget in order and to relate our fiscal policies to the requirements of an expanding economy. The more successful we are in achieving full production and full employment the easier it will be to manage the debt and pay for the debt service. Large though the debt is, it is within our economic capacity. The interest charges on it amount to but a small proportion of our national income. The Government is determined, by a resolute policy of economic stabilization, to protect the interests of the millions of American citizens who have invested in its securities.

During the past 6 months the net revenue receipts of the Federal Government have been about 20 billion dollars, almost as much as during the closing 6 months of 1944 when the country was still engaged in all-out warfare. The high level of these receipts reflects the smoothness of the reconversion and particularly the strength of consumer demand. But the receipts so far collected, it must be remembered, do not reflect any of the tax reductions made by the Revenue Act of 1945. These reductions will not have their full effect on the revenue collected until the fiscal year 1948.

It is good to move toward a balanced Budget and a start on the retirement of the debt at a time when demand for goods is strong and the business outlook is good. These conditions prevail

today. Business is good and there are still powerful forces working in the direction of inflation. This is not the time for tax reduction.

RECOMMENDATIONS FOR SPECIFIC FEDERAL ACTIVITIES

1. War liquidation and national defense (a) War expenditures

The fiscal year 1947 will see a continuance of war liquidation and occupation. During this period we shall also lay the foundation for our peacetime system of national defense.

In the fiscal year that ended on June 30, 1945, almost wholly a period of global warfare, war expenditures amounted to 90.5 billion dollars. For the fiscal year 1946 war expenditures were originally estimated at 70 billion dollars. That estimate was made a year ago while we were still engaged in global warfare. After victory over Japan this estimate was revised to 50.5 billion dollars. Further cut-backs and accelerated demobilization have made possible an additional reduction in the rate of war spending. During the first 6 months 32.9 billion dollars were spent. It is now estimated that 16.1 billion dollars will be spent during the second 6 months, or a total of 49 billion dollars during the whole fiscal year.

For the fiscal year 1947 it is estimated, tentatively, that expenditures for war liquidation, for occupation, and for national defense will be reduced to 15 billion dollars. The War and Navy Departments are expected to spend 13 billion dollars; expenditures of other agencies, such as the United States Maritime Commission, the War Shipping Administration, and the Office of Price Administration, and payments to the United Nations Relief and Rehabilitation Administration are estimated at 3 billion dollars. Allowing for estimated net receipts of 1 billion dollars arising from war activities of the Reconstruction Finance Corporation, the estimated total of war expenditures is 15 billion dollars. At this time only a tentative break-down of the total estimate for war and defense activities can be indicated.

An expenditure of 15 billion dollars for war liquidation, occupation, and national defense is a large sum for a year which begins 10 months after fighting has ended. It is 10 times our expenditures for defense before the war; it amounts to about 10 percent of our expected national income. This estimate reflects the immense job that is involved in winding up a global war effort and stresses the great responsibility that victory has placed upon this country. The large expenditures needed for our national defense emphasize the great scope for effective organization in furthering economy and efficiency. To this end I have recently recommended to the Congress adoption of legislation combining the War and Navy Departments into a single Department of National Defense.

A large part of these expenditures is still to be attributed to the costs of the war. Assuming, somewhat arbitrarily, that about one-half of the 15-billion-dollar outlay for the fiscal year 1947 is for war liquidation, aggregate expenditures by this Government for the Second

World War are now estimated at 347 billion dollars through June 30, 1947. (See table A, part III, page 751.) Of this, about 9 billion dollars will have been recovered through renegotiation and sale of surplus property by June 30, 1947; this has been reflected in the estimates of receipts.

Demobilization and strength of armed forces.—Demobilization of our armed forces is proceeding rapidly. At the time of victory in Europe, about 12.3 million men and women were in the armed forces; 7.6 million were overseas. By the end of December 1945 our armed forces had been reduced to below 7 million. By June 30, 1946, they will number about 2.9 million, of whom 1.8 million will be individuals enlisted and inducted after VE-day. Mustering-out pay is a large item of our war-liquidation expense; it will total 2.5 billion dollars in the fiscal year 1946, and about 500 million dollars in the fiscal year 1947.

In the fiscal year 1947 the strength of our armed forces will still be above the ultimate peacetime level. As I have said, War and Navy Department requirements indicate a strength of about 2 million in the armed forces a year from now. This is necessary to enable us to do our share in the occupation of enemy territories and in the preservation of peace in a troubled world. Expenditures for pay, subsistence, travel, and miscellaneous expenses of the armed forces, excluding mustering-out pay, are estimated at 5 billion dollars.

Contract settlement and surplus property disposal.—The winding up of war procurement is the second most important liquidation job. By the end of November a total of 301,000 prime contracts involving commitments of 64 billion dollars had been terminated. Of this total, 67,000 contracts with commitments of 35 billion dollars remained to be settled. Termination payments on these contracts are estimated at about 3.5 billion dollars. It is expected that more than half of these terminated contracts will be settled during the current fiscal year, leaving payments of about 1.5 billion dollars for the fiscal year 1947.

Another important aspect of war supply liquidation is the disposal of surplus property. Munitions, ships, plants, installations, and supplies, originally costing 50 billion dollars or more, will ultimately be declared surplus. The sale value of this property will be far less than original cost and disposal expenses are estimated at 10 to 15 cents on each dollar realized. Disposal units within existing agencies have been organized to liquidate surplus property under the direction of the Surplus Property Administration. Overseas disposal activities have been centralized in the State Department to permit this program to be carried on in line with over-all foreign policy. Thus far only about 13 billion dollars of the ultimate surplus, including 5 billion dollars of unsalable aircraft, has been declared. Of this amount, 2.3 billion dollars have been disposed of, in sales yielding 600 million dollars. The tremendous job of handling surplus stocks will continue to affect Federal expenditures and receipts for several years. The speed and effectiveness of surplus-

disposal operations will be of great importance for the domestic economy as well as for foreign economic policies.

War supplies, maintenance, and relief.—Adequate provision for the national defense requires that we keep abreast of scientific and technical advances. The tentative estimates for the fiscal year 1947 make allowance for military research, limited procurement of weapons in the developmental state, and some regular procurement of munitions which were developed but not mass-produced when the war ended. Expenditures for procurement and construction will constitute one-third or less of total defense outlays, compared to a ratio of two-thirds during the war years.

The estimates also provide for the maintenance of our war-expanded naval and merchant fleets, military installations, and stocks of military equipment and supplies. Our naval combatant fleet is three times its pre-Pearl Harbor tonnage. Our merchant marine is five times its prewar size. The War Department has billions of dollars worth of equipment and supplies. Considerable maintenance and repair expense is necessary for the equipment which we desire to retain in active status or in war reserve. Expenses will be incurred for winnowing the stocks of surpluses, for preparing lay-up facilities for the reserve fleets, and for storage of reserve equipment and supplies.

Military expenditures in the current fiscal year include 650 million dollars for civilian supplies for the prevention of starvation and disease in occupied areas. Expenditures on this account will continue in the fiscal year 1947. The war expenditures also cover the expenses of civilian administration in occupied areas.

During the war 15 cents of each dollar of our war expenditures was for lend-lease aid. With lend-lease terminated, I expect the direct operations under this program to be substantially completed in the current fiscal year. The expenditures estimated for the fiscal year 1947 under this program are mainly inter-agency reimbursements for past transactions.

Relief and rehabilitation expenditures are increasing. It is imperative that we give all necessary aid within our means to the people who have borne the ravages of war. I estimate that in the fiscal year 1946 expenditures for the United Nations Relief and Rehabilitation Administration will total 1.3 billion dollars and in the following year 1.2 billion dollars. Insofar as possible, procurement for this purpose will be from war surpluses.

(b) Authorizations for war and national defense

During the war authorizations and appropriations had to be enacted well in advance of obligation and spending to afford ample time for planning of production by the procurement services and by industry. Thus our cumulative war program authorized in the period between July 1, 1940, and July 1, 1945, was 431 billion dollars, including net war commitments of Government corporations. Expenditures against those au-

thorizations totaled 290 billion dollars. This left 141 billion dollars in unobligated authorizations and unliquidated obligations.

With the end of fighting it became necessary to adjust war authorizations to the requirements of war liquidation and continuing national defense. Intensive review of the war authorizations by both the executive and the legislative branches has been continued since VJ-day. As a result, the authorized war program is being brought more nearly into line with expenditures.

Rescissions and authorizations through the fiscal year 1946.—Readjusting the war program, as the Congress well knows, is not an easy task. Authorizations must not be too tight, lest we hamper necessary operations; they must not be too ample, lest we lose control of spending. Last September, I transmitted to the Congress recommendations on the basis of which the Congress voted H. R. 4407 to repeal 50.3 billion dollars of appropriations and authorizations. I found it necessary to veto this bill because it was used as a vehicle for legislation that would impair the reemployment program. However, in order to preserve the fine work of the Congress on the rescissions, I asked the Director of the Bureau of the Budget to place the exact amounts indicated for repeal in a nonexpendable reserve, and to advise the departments and agencies accordingly. This has been done.

In accord with Public Law 132 of the Seventy-ninth Congress, I have transmitted recommendations for additional rescissions for the current fiscal year of appropriations amounting to 5.8 billion dollars and of contract authorizations totaling 420 million dollars. The net reduction in authority to obligate will be 5 billion dollars, because, of the appropriations, 1.2 billion dollars will have to be restored in subsequent years to liquidate contract authorizations still on the books.

The appropriations recommended for repeal include 2,827 million dollars for the Navy Department, 1,421 million dollars for the War Department, 850 million dollars for lend-lease, 384 million dollars for the War Shipping Administration, and 260 million dollars for the United States Maritime Commission. The contract authorizations proposed for repeal are for the Maritime Commission.

In addition, there are unused tonnage authorizations for construction of naval vessels now valued at 5.4 billion dollars. In September 1945, I suggested that this authority be reviewed by the appropriate committees of the Congress, and the Congress has moved to bar construction under these authorizations during the remainder of the fiscal year 1946. I propose to continue this prohibition in the Navy budget estimates for the fiscal year 1947 and now renew my recommendation that legislation be enacted at the earliest time to clear the statute books of these authorizations.

The amounts indicated for repeal in H. R. 4407 and the further rescissions which I have recommended, excluding duplications and deferred cash payments on existing authorizations, represent a cut in the authorized war program

of 60.8 billion dollars. The war authorizations will also be reduced 3.7 billion dollars by carrying receipts of revolving accounts to surplus, by lapses, and by cancellation and repayment of commitments of the Government war corporations.

On the other hand, supplemental appropriations of 600 million dollars will be required for the United Nations Relief and Rehabilitation Administration.

In the net, it is estimated that the cumulative authorized war and national defense program will amount to 368 billion dollars on June 30, 1946. Expenditures of 49 billion dollars during the fiscal year 1946 will have pushed cumulative expenditures to 339 billion dollars. The unexpended balances will be down to 28 billion dollars on June 30, 1946.

New authorizations for national defense and war liquidation in the fiscal year 1947.—The expenditures of 15 billion dollars for national defense and war liquidation in the fiscal year 1947 will be partly for payment of contractual obligations incurred in the past, and partly for the payment of new obligations. The unexpended balances on June 30, 1946, will be scattered among hundreds of separate appropriations. Thus, while some appropriation accounts will have unused balances, others will require additional appropriations.

It is estimated that authorizations to incur new obligations of 11,772 million dollars will be needed during the fiscal year 1947, mainly for the War and Navy Departments. Of the required authorizations, 11,365 million dollars will be in new appropriations, 400 million dollars in new contract authority, and 7 million dollars in reappropriations of unobligated balances. In addition, appropriations of 825 million dollars will be needed to liquidate obligations under existing contract authorizations.

Taking into account the tentative authorizations and expenditures estimated for the fiscal year 1947, and offsets of 3 billion dollars in war commitments of Government corporations, the cumulative authorized war and national defense program on June 30, 1947, will be 376 billion dollars; total expenditures, 354 billion dollars; and unexpended balances, 22 billion dollars.

The 22 billion dollars of unexpended balances tentatively indicated as of June 30, 1947, comprise both unobligated authorizations and unliquidated obligations. Most of the unliquidated obligations result from transactions booked during the war years. A large part of the 22 billion dollars would never be spent even if not repealed, for the appropriations will lapse in due course. For example, several billion dollars of these unliquidated obligations represent unsettled inter- and intra-departmental agency accounts for war procurement. Legislation is being requested to facilitate the adjustment of some of these interagency accounts. Another 6 billion dollars is set aside for contract termination payments. If contract settlement costs continue in line with recent experience, it is likely that part of the 6 billion dollars will remain unspent.

On the other hand, some of the 22 billion dollars would be available for obli-

gation and expenditure unless impounded. In certain appropriations, such as those for long-cycle procurement, considerable carry-over of unliquidated obligations into future years is to be expected and is necessary. However, substantial further rescissions can and should be made when the war liquidation program tapers off and budgetary requirements for national defense are clarified. As I have said, I shall continue to review the war authorizations and from time to time recommend excess balances for repeal.

As in recent years, detailed recommendations concerning most appropriations for the national defense program are postponed until the spring. In connection with the war activities of the United States Maritime Commission and certain other agencies, however, I now make specific recommendations for the fiscal year 1947. No additional authorizations or appropriations will be necessary for the Maritime Commission since sufficient balances will be left after the above-mentioned rescissions to carry out the program now contemplated for the fiscal year 1947.

2. Aftermath of war

Nearly one-third—11 billion dollars—of estimated Federal expenditures in the fiscal year 1947 will be for purposes that are largely inherited from the war—payments to veterans, interest on the Federal debt, and refunds of taxes.

(a) For veterans

"Veterans' pensions and benefits" has become one of the largest single categories in the Federal Budget. I am recommending for this purpose total appropriations of 4,787 million dollars for the fiscal year 1947. Expenditures in the fiscal year are estimated, under present legislation, at 4,208 million dollars. These expenditures will help our veterans through their readjustment period and provide lasting care for those who were disabled.

The Congress has provided unemployment allowances for veterans during their readjustment period. Expenditure of 850 million dollars for this purpose is anticipated for the fiscal year 1947. In addition, readjustment allowances for self-employed veterans are expected to cost 340 million dollars in the fiscal year 1947.

On May 28, 1945, in asking the Congress to raise the ceiling on benefits for civilian unemployed to not less than 25 dollars a week during the immediate reconversion period, I suggested that the Congress also consider liberalizing veterans' allowances. Elsewhere in this message I reiterate my recommendation with respect to emergency unemployment compensation. I also recommend increasing veterans' unemployment allowances from 20 dollars to 25 dollars a week. This would involve additional expenditures estimated at approximately 220 million dollars for the fiscal year.

Included in the 1947 Budget is an expenditure of 535 million dollars for veterans' education under provisions of the Servicemen's Readjustment Act. This amount includes both tuition expenses and maintenance allowances. It is expected that half a million veterans will

be enrolled in our schools and colleges during the year.

The ultimate benefit which veterans receive from the loan guaranty provisions of the Servicemen's Readjustment Act depends largely on the success of our stabilization program in restraining building costs and real-estate values. Under the revised procedure contained in recent amendments, the administrative work load will be minimized by the almost complete transfer of authority for approving the guaranties to private lending agencies and private appraisers designated by the Veterans' Administration. This authority carries with it the responsibility for restricting the guaranties to loans on reasonably valued properties. Costs of the program, other than for administration, are estimated at 21 million dollars in the fiscal year 1947.

Pensions for veterans will require expenditures estimated at 1,748 million dollars for the fiscal year 1947. Two-thirds of this amount will be received by veterans of the war which we have just won. This figure includes 55 million dollars of increased pensions for student-veterans in our vocational rehabilitation program. In addition, 170 million dollars will be expended in transfers to the national service life insurance fund from general and special accounts.

Expenditures under the appropriation for salaries and expenses of the Veterans' Administration are estimated at 528 million dollars in the fiscal year 1947. This includes 260 million dollars for medical care and the operation of some 103,000 hospital and domiciliary beds.

A separate appropriation for hospital and domiciliary facilities, additional to the total for veterans' pensions and benefits, covers construction that will provide some 13,000 hospital beds as part of the 500-million-dollar hospital construction program already authorized by the Congress. The estimated expenditures of 130 million dollars for this purpose are classified in the Budget as part of the general public works program for the next fiscal year.

(b) For interest

Interest payments on the public debt are estimated at 5 billion dollars in the fiscal year 1947, an increase of 250 million dollars from the revised estimate for the current fiscal year. This increase reflects chiefly payment of interest on additions to the debt this year. Assuming continuance of present interest rates, the Government's interest bill is now reaching the probable postwar level.

(c) For refunds

An estimated total of 1,585 million dollars of refunds will be paid to individuals and corporations during the fiscal year 1947. Slightly over half of this amount, or 800 million dollars, will be accessory to the simplified pay-as-you-go method of tax collection, and will be the result of overwithholding and overdeclaration of expected income. Most of the remainder will arise from loss and excess-profits credit carry-backs, recomputed amortization on war plants, and special relief from the excess-profits tax.

This category of expenditures is thus losing gradually its "aftermath of war" character, and by the succeeding year will reflect almost entirely the normal operation of loss carry-backs and current tax collection.

3. Agricultural programs

The agricultural programs contemplated for the fiscal year 1947 are those which are essential for the provision of an adequate supply of food and other agricultural commodities with a fair return to American farmers. To support these objectives, expenditures by the Department of Agriculture estimated at 784 million dollars from general and special accounts will be required in the fiscal year 1947. This compares with estimated expenditures of 676 million dollars in 1946. These figures exclude expenditures by the Department of Agriculture on account of lend-lease, the United Nations Relief and Rehabilitation Administration, and other war expenditures. The expenditure for the fiscal year 1947 is composed of 553 million dollars for "aids to agriculture," 35 million dollars for general public works, and 196 million dollars for other services of the Department.

Net outlays for the price stabilization, price support, and other programs of the Commodity Credit Corporation are expected to increase from about 750 million dollars in the fiscal year 1946 to about 1,500 million dollars in 1947. Cash advances made on loans by the Farm Security Administration and the Rural Electrification Administration are expected to amount to 266 million dollars in the fiscal year 1946 and 351 million dollars in 1947; and after receipts from principal and interest are taken into account, net loan expenditures of these two agencies will amount to 120 and 209 million dollars in the two fiscal years.

To provide for the expenditures from general and special accounts, I recommend for the fiscal year 1947 appropriations of 721 million dollars (including the existing permanent appropriation of an amount equal to 30 percent of estimated annual customs receipts) and a reappropriation of 88 million dollars of prior-year balances from customs receipts. In addition there is a recommended authorization of 367.5 million dollars for borrowing from the Reconstruction Finance Corporation for the loan programs of the Farm Security Administration and the Rural Electrification Administration. It is expected that the operations of the Commodity Credit Corporation will be financed during the coming year through the 500 million dollars of lend-lease funds which the Congress has earmarked for price support purposes, a supplemental appropriation to restore impaired capital of the Corporation, and the borrowing authority of the Corporation.

Some detailed recommendations follow for major agricultural programs.

Conservation and use of land.—I am recommending that 270 million dollars be appropriated for "conservation and use of agricultural land resources"—the so-called AAA program—for the fiscal year 1947, compared with 356 million dollars in the current year. This reduction of 86 million dollars is in large part ac-

counted for by elimination of the wartime flax production incentive project and other nonrecurring items; the proposed reduction in normal activities is less than 33 million dollars.

For the past several years this program has consisted largely of payments to farmers for application of fertilizer and other approved soil-management practices. I am convinced that farmers generally are now fully alert to the benefits, both immediate and long-term, which they derive from the practices encouraged by this program. I believe, therefore, that this subsidization should continue to be reduced.

Rural electrification.—It is proposed that the loan authorization for the Rural Electrification Administration for the fiscal year 1947 be increased from 200 million dollars to 250 million dollars. During the war period, REA was limited by the scarcity of materials and manpower. But that situation is rapidly changing, and the REA program, which was materially stepped up for the fiscal year 1946, can be increased still more. It is my belief that a feasible and practical rural-electrification program should be carried forward as rapidly as possible. This will involve total loans of approximately 1,800 million dollars over the next 10 years, much of which will be repaid during that period.

Other programs.—It is recommended that the continuing forest land acquisition program be resumed at the rate of 3 million dollars annually, which is about the minimum rate at which this program can be economically carried on. The lands involved in this program can contribute fully to the national welfare only when brought into the national forest system for protection and development.

Such programs as those of the Farm Security Administration and the Farm Credit Administration are estimated to be continued during the fiscal year 1947 at about the same level as in the fiscal year 1946. Recent action by the Congress has permitted some expansion of the school-lunch program. I hope it will be continued and expanded. The budgets of the Federal Crop Insurance Corporation and the Federal Farm Mortgage Corporation will be transmitted in the spring under the terms of the Government Corporation Control Act.

4. Transportation

Transportation is one of the major fields for both public and private investment. Our facilities for transportation and communication must be constantly improved to serve better the convenience of the public and to facilitate the sound growth and development of the whole economy.

Federal capital outlays for transportation facilities are expected to approximate 519 million dollars in the fiscal year 1947. State and local governments may spend 400 million dollars. Private investment, over half of it by railways, may approach 1,150 million dollars.

The Congress has already taken steps for the resumption of work on improvement of rivers and harbors and on the construction of new Federal-aid highways. Much-needed work on airports can begin when the Congress enacts leg-

islation now in conference between the two Houses.

The Federal expenditure estimates for the fiscal year 1947 include 53 million dollars for new construction in rivers, harbors, and the Panama Canal and 291 million dollars for highways and grade-crossing elimination, assuming that the States expend some 275 million dollars on the Federal-aid system. Additional expenditures for highways totaling 36 million dollars are anticipated by the Forest Service, National Park Service, and the Territory of Alaska. Civil airways and airports will involve expenditures of 35 million dollars under existing authority. Additional Federal expenditures exceeding 20 million dollars (to be matched by States and municipalities) may be made during the fiscal year 1947 under the airport legislation now in conference between the two Houses of the Congress.

The United States now controls almost two-thirds of the world's merchant shipping, most of it Government-owned, compared with little more than one-seventh of the world's tonnage in 1939. This places a heavy responsibility upon the Nation to provide for speedy and efficient world commerce as a contribution to general economic recovery.

The estimates for the United States Maritime Commission and War Shipping Administration provide for the transition of shipping operation from a war to a peace basis; the sale, chartering, or lay-up of much of the war-built fleet; and for a program of ship construction of some 84 million dollars in the fiscal year 1947 to round out the merchant fleet for peacetime use.

Federal aids, subsidies, and regulatory controls for transportation should follow the general principle of benefiting the national economy as a whole. They should seek to improve the transportation system and increase its efficiency with resulting lower rates and superior service. Differential treatment which benefits one type of transportation to the detriment of another should be avoided save when it is demonstrated clearly to be in the public interest.

5. Resource development

Total capital outlays for resource development are estimated at 653 million dollars in the fiscal year 1947 as compared with 452 million dollars in 1946. These include capital expenditures by the Rural Electrification Administration and expenditures for resource development by other organizational units in the Department of Agriculture which are also mentioned above under "agricultural programs."

The reclamation and flood-control projects which I am recommending for the fiscal year 1947 will involve capital outlays of approximately 319 million dollars as compared with 245 million dollars in the fiscal year 1946. These expenditures cover programs of the Corps of Engineers, the Bureau of Reclamation, the Bureau of Indian Affairs, the Department of Agriculture, and the International Boundary and Water Commission, United States and Mexico. A number of these projects are multiple-purpose projects, providing not only for reclamation

and irrigation of barren land and flood control, but also for the production of power needed for industrial development of the areas.

Expenditures for power transmission and distribution facilities by the Bonneville Power Administration are expected to increase from 12 million dollars in the fiscal year 1946 to 15 million dollars in the next fiscal year. In addition, the Southwestern Power Administration will undertake a new program involving expenditures of about 16 million dollars in the fiscal year 1947. The Rural Electrification Administration will require expenditures during the current fiscal year estimated at 156 million dollars; in the fiscal year 1947, at 241 million dollars.

The TVA program includes completion of major multiple-purpose projects—navigation, flood control, and power facilities—and additions to chemical plants and related facilities. Expenditures for these capital improvement programs are estimated at 30 million dollars in the fiscal year 1946 and 39 million dollars in the fiscal year 1947.

Expenditures for construction of roads and other developmental works in the national forests, parks, and other public lands, and for capital outlays for fish and wildlife development will increase from below 9 million dollars in the fiscal year 1946 to 24 million dollars in the fiscal year 1947.

6. Social security and health

Benefit payments out of the Old-Age and Survivors Insurance Trust Fund during 1947 are estimated at 407 million dollars, while withdrawals by the States from the Unemployment Trust Fund for compensation payments are expected to total 1 billion dollars. These disbursements are financed out of social-security contributions.

The appropriations from general and special accounts for the social-security program, which cover Federal administrative expenses and grants to States for assistance programs, are estimated at 593 million dollars for the fiscal year 1947, an increase of 57 million dollars over the current year. The increase anticipates greater administrative workload and higher grants to match increasing State payments. The social-security program does not include all the Federal health services under existing legislation. For the other health services classified under general government and national defense, appropriations are estimated at 102 million dollars for the fiscal year 1947.

Some expansion in peacetime medical research and other programs of the Public Health Service is provided for in the appropriation estimates for these purposes totaling approximately 87 million dollars for the fiscal year 1947 which are submitted under provisions of existing law. Part of this will be provided through the social-security appropriations, the remainder through other appropriations. About 28 million dollars is recommended for maternity care and health services for children under existing law, mainly under the emergency provision for the wives and infants of servicemen. While we should avoid duplication of maternity and child-health services which will be provided through

the proposed general system of prepaid medical care, legislation is needed to supplement such services. For medical education, I have recommended legislation authorizing grants-in-aid to public and nonprofit institutions. The existing sources of support for medical schools require supplementation to sustain the expansion that is needed.

Hospitals, sanitation works, and additional facilities at medical schools will be required for an adequate national health program. Legislation is now pending in the Congress to authorize grants for the construction of hospitals and health centers and grants and loans for water-pollution control. I hope the Congress will act favorably on generous authorizing legislation.

7. Research and education

The Budget provides for continuation and desirable expansion of the research activities that are carried on throughout the Federal establishment and through previously authorized grants to the States. Additional appropriations will be required for the proposed central Federal research agency which I recommended last September 6. That agency will coordinate existing research activities and administer funds for new research activities wherever they are needed; it will not itself conduct research. The plan contemplates expenditures through the new research agency of approximately 40 million dollars for the first year.

These amounts are small in relation to the important contribution they can make to the national income, the welfare of our people, and the common defense. Expenditures must be limited for the time being by the capacity of research agencies to make wise use of funds. The maintenance of our position as a Nation, however, will require more emphasis on research expenditures in the future than in the past.

Educational expenditures will require a significant share of the national income in the fiscal year 1947. State, local, and private expenditures for the current support of elementary, secondary, and higher education are expected to be substantially above 3 billion dollars in that year. These non-Federal expenditures will be supplemented by Federal expenditures estimated at 625 million dollars in the present Budget. Of this amount, the estimate for veterans' education, as previously mentioned, is 535 million dollars. Other amounts include 21 million dollars for the support of vocational education in public schools, 5 million dollars for the land-grant colleges, 50 million dollars for the present school-lunch and milk program, 1 million dollars for the Office of Education, and approximately 13 million dollars for various other items. In view of the major policy issues which are still under study by the Congress and the administration, no specific amount has been determined for the Federal grants, previously recommended in this message, which would assist the States generally in assuring more nearly equal opportunities for a good education.

Notwithstanding the urgent need for additional school and college buildings,

careful planning will be required for the expenditures to be made under the proposed legislation to aid the States in providing educational facilities. A major share of the grants for the first year would be for surveys and plans.

8. International financial programs

I have already outlined the broad objectives of our foreign economic policy. In the present section I shall indicate the Federal outlays which the execution of these programs may require in the fiscal years 1946 and 1947.

(a) On the termination of lend-lease, the lend-lease countries were required to pay for goods in the lend-lease pipe line either in cash or by borrowing from the United States or by supplying goods and services to the United States. Credits for this purpose have already been extended to the Soviet Union, France, the Netherlands, and Belgium amounting to 675 million dollars. The settlement credit of 650 million dollars to the United Kingdom includes an amount preliminarily fixed at 118 million dollars which represents the excess of purchases by the United Kingdom from the pipe line over goods and services supplied by the United Kingdom to the United States since VJ-day and the balance of various claims by one government against the other.

Credits are also being negotiated with lend-lease countries to finance the disposition of lend-lease inventories and installations and property declared to be surplus. For instance, 532 million dollars of the settlement credit to the United Kingdom is for this purpose. These credits will involve no new expenditures by this Government, since they merely provide for deferred repayment by other governments for goods and services which have been financed from war appropriations.

(b) Expenditures from the appropriations to United Nations Relief and Rehabilitation Administration, which were discussed under war expenditures above, are estimated to be 1.3 billion dollars in the fiscal year 1946 and 1.2 billion dollars in the fiscal year 1947.

(c) To assist other countries in the restoration of their economies the Export-Import Bank has already negotiated loans in the fiscal year 1946 amounting in total to about 1,010 million dollars and an additional 195 million dollars will probably be committed shortly. The bank is also granting loans to carry out its original purpose of directly expanding the foreign trade of the United States. In this connection the bank has established a fund of 100 million dollars to finance the export of cotton from the United States. The Export-Import Bank has thus loaned or committed approximately 1,300 million dollars during the current fiscal year and it is expected that demands on its resources will increase in the last 6 months of the fiscal year 1946. Requests for loans are constantly being received by the bank from countries desiring to secure goods and services in this country for the reconstruction or development of their economies. On July 31, 1945, the lending authority of the Export-Import Bank was increased to a total of 3,500

million dollars. I anticipate that during the period covered by this Budget the bank will reach this limit. The bulk of the expenditures from the loans already granted will fall in the fiscal year 1946 while the bulk of the expenditures from loans yet to be negotiated will fall in the fiscal year 1947. In view of the urgent need for the bank's credit, I may find it necessary to request a further increase in its lending authority at a later date.

(d) The proposed line of credit of 3,750 million dollars to the United Kingdom will be available up to the end of 1951 and will be used to assist the United Kingdom in financing the deficit in its balance of payments during the transition period. The rate at which the United Kingdom will draw on the credit will depend on the rapidity with which it can reconvert its economy and adapt its trade to the postwar world. The anticipated rate of expenditure is likely to be heaviest during the next 2 years.

(e) Since the Bretton Woods Agreements have now been approved by the required number of countries, both the International Monetary Fund and the International Bank for Reconstruction and Development will commence operations during 1946. The organization of these institutions will undoubtedly take some time, and it is unlikely that their operations will reach any appreciable scale before the beginning of the fiscal year 1947.

Of the 2,750 million dollars required for the fund, 1,800 million dollars will be provided in cash or notes from the exchange stabilization fund established under the Gold Reserve Act of 1934. The remaining 950 million dollars will be paid initially in the form of non-interest-bearing notes issued by the Secretary of the Treasury. It is not anticipated that the fund will require in cash any of the 950 million dollars during the fiscal years 1946 and 1947. Consequently, no cash withdrawals from the Treasury will be required in connection with the fund in these years.

The subscription to the bank amounts to 3,175 million dollars. Of this total, 2 percent must be paid immediately and the bank is required to call a further 8 percent of the subscription during its first year of operations. The balance of the subscription is payable when required by the bank either for direct lending or to make good its guaranties. It is likely that the United States will be required to pay little if any more than the initial 10 percent before the end of the fiscal year 1947.

I anticipate that net expenditures of the Export-Import Bank and expenditures arising from the British credit and the Bretton Woods Agreements will amount to 2,614 million dollars, including the noncash item of 950 million dollars for the fund, in the fiscal year 1946, and 2,754 million dollars in the fiscal year 1947.

9. General government

The responsibilities of the Government, in both domestic and international affairs, have increased greatly in the past decade. Consequently, the Government is larger than it was before the war, and its general operating costs are

higher. We cannot shrink the Government to prewar dimensions unless we slough off these new responsibilities—and we cannot do that without paying an excessive price in terms of our national welfare. We can, however, enhance its operating efficiency through improved organization. I expect to make such improvements under the authority of the Reorganization Act of 1945.

The appropriations which I am recommending for general government for the fiscal year 1947 are \$1,604,000,000 under existing legislation. This is an increase of \$458,000,000 over the total of enacted appropriations for the current fiscal year, but a substantial part of this increase is due to the fact that the appropriations for the fiscal year 1946 were made prior to the general increase of employees' salaries last July 1, for which allowance is made in the anticipated supplemental appropriations for 1946. The recommended total for 1947 for general government, like the estimates for national defense and other specific programs, does not allow for the further salary increases for Government employees, which, I hope, will be authorized by pending legislation, but the tentative lump-sum estimates under proposed legislation contemplate that such salary increases will be effective almost at once.

Expenditures for general government in the fiscal year 1947 are expected to continue the slowly rising trend which began in 1943. This category includes a great variety of items—not merely the overhead costs of the Government. It includes all the expenditures of the Cabinet departments, other than for national defense, aids to agriculture, general public works, and the social-security program. It includes also expenditures of the legislative branch, the judiciary, and many of the independent agencies of the executive branch. Consequently, the estimated increase in 1947 in the total of general government expenditures reflects a variety of influences.

Now included in general government are certain activities formerly classified under national defense. Some of these, such as certain functions of the former Foreign Economic Administration and the War Manpower Commission, are still needed during the period of reconversion; others are in the process of liquidation. A few wartime activities—for example, the international information and foreign intelligence services and some of the wartime programs for controlling disease and crime—have become part of our regular Government establishment. Expenditures for these former wartime functions explain about 40 percent of the increase in expenditures for general government.

Other increases are for civil aeronautics promotion, the business and manufacturing censuses, and other expanded business services of the Department of Commerce which have been referred to above; the Forest and Soil Conservation Services and other activities of the Department of Agriculture; certain conservation activities of the Department of the Interior; and the collection of internal revenue in the Treasury Department.

The necessity for reestablishing postal services curtailed during the war and advances in the rates of pay for postal employees have increased substantially the estimated expenditures for postal service for both the current and the next fiscal year. It is not expected that this increase will cause expenditures to exceed postal revenues in either year, although an excess of expenditures may occur in the fiscal year 1947 if salaries are increased further.

Expenditures for our share of the administrative budgets of the United Nations and other permanent international bodies will increase sharply in the fiscal year 1947, yet will remain a small part of our total Budget. The budget for the United Nations has not yet been determined; an estimate for our contribution will be submitted later. Our contributions to the Food and Agriculture Organization, the International Labor Office, the Pan American Union, and other similar international agencies will aggregate about 3 million dollars for the fiscal year 1947. The administrative expenses of the International Monetary Fund and the International Bank will be met from their general funds.

We have won a great war—we, the nations of plain people who hate war. In the test of that war we found a strength of unity that brought us through—a strength that crushed the power of those who sought by force to deny our faith in the dignity of man.

During this trial the voices of disunity among us were silent or were subdued to an occasional whine that warned us that they were still among us. Those voices are beginning to cry aloud again. We must learn constantly to turn deaf ears to them. They are voices which foster fear and suspicion and intolerance and hate. They seek to destroy our harmony, our understanding of each other, our American tradition of "live and let live." They have become busy again, trying to set race against race, creed against creed, farmer against city dweller, worker against employer, people against their own governments. They seek only to do us mischief. They must not prevail.

It should be impossible for any man to contemplate without a sense of personal humility the tremendous events of the 12 months since the last annual message, the great tasks that confront us, the new and huge problems of the coming months and years. Yet these very things justify the deepest confidence in the future of this Nation of free men and women.

The plain people of this country found the courage and the strength, the self-discipline, and the mutual respect to fight and to win, with the help of our allies, under God. I doubt if the tasks of the future are more difficult. But if they are, then I say that our strength and our knowledge and our understanding will be equal to those tasks.

HARRY S. TRUMAN.

JANUARY 14, 1946.

The PRESIDING OFFICER (Mr. HOEY in the chair). The message with the accompanying document, will lie on the table.

JOURNAL OF THURSDAY, JANUARY 17,
1946

Mr. RUSSELL. Mr. President—

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana [Mr. OVERTON] to amend the Journal of the proceedings of the Senate of Thursday, January 17, 1946.

Mr. RUSSELL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Ball	Hawkes	Millikin
Chavez	Hayden	Morse
Cordon	Hickenlooper	Myers
Ellender	Hoey	Radcliffe
Ferguson	La Follette	Stewart
Guffey	McKellar	Taft
Hatch	Mead	Thomas, Okla.

The PRESIDING OFFICER. Twenty-one Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The Chief Clerk called the names of the absent Senators; and Mr. DONNELL, Mr. GOSSETT, Mr. GREEN, Mr. LANGER, Mr. McCLELLAN, Mr. McFARLAND, Mr. McMAHON, Mr. MURRAY, Mr. RUSSELL, Mr. STANFILL, Mr. WHITE, Mr. WILEY, and Mr. YOUNG entered the Chamber and answered to their names.

The PRESIDING OFFICER. Thirty-four Senators have answered to their names. A quorum is not present.

Mr. BALL. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. ANDREWS, Mr. AUSTIN, Mr. BAILEY, Mr. BILBO, Mr. BRIGGS, Mr. BUSFIELD, Mr. BUTLER, Mr. CAPPER, Mr. HILL, Mr. HUFFMAN, Mr. JOHNSTON of South Carolina, Mr. MAYBANK, Mr. SALTONSTALL, Mr. SHIPSTEAD, and Mr. WHERRY entered the Chamber and answered to their names.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from Kentucky [Mr. BARKLEY], the Senator from Nevada [Mr. CARVILLE], the Senator from West Virginia [Mr. KILGORE], the Senators from Washington [Mr. MAGNUSON and Mr. MITCHELL], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Louisiana [Mr. OVERTON], the Senator from Idaho [Mr. TAYLOR], the Senator from New York [Mr. WAGNER], the Senator from Massachusetts [Mr. WALSH], and the Senator from Montana [Mr. WHEELER], are necessarily absent.

The Senator from Texas [Mr. CONNALLY] is absent on official business, as a representative of the United States attending the first session of the General Assembly of the United Nations, now being held in London.

The Senator from Delaware [Mr. TUNNELL] is absent on official business, as a member of the Mead committee.

The Senator from California [Mr. DOWNEY], the Senator from Rhode Is-

land [Mr. GERRY], the Senator from Colorado [Mr. JOHNSON], the Senator from Nevada [Mr. McCARRAN], the Senator from Utah [Mr. THOMAS], and the Senator from Maryland [Mr. TYDINGS] are detained on official business at the White House.

The Senator from Georgia [Mr. GEORGE] and the Senator from Illinois [Mr. LUCAS] are detained at a meeting of the Joint Committee on the Investigation of the Pearl Harbor Attack.

The Senator from Arkansas [Mr. FULBRIGHT], the Senator from Utah [Mr. MURDOCK], the Senator from Texas [Mr. O'DANIEL], and the Senator from Florida [Mr. PEPPER] are detained on official business at Government departments.

Mr. WHERRY. The Senator from Michigan [Mr. VANDENBERG] is absent on official business as a representative of the United States attending the first session of the General Assembly of the United Nations now being held in London.

The Senator from California [Mr. KNOWLAND] is absent on official business as a member of the Mead committee.

The Senator from Wyoming [Mr. ROBERTSON] is absent on official business.

The Senator from Oklahoma [Mr. MOORE] is unavoidably absent.

The Senator from Vermont [Mr. AIKEN], the Senator from Maine [Mr. BREWSTER], the Senator from Indiana [Mr. CAPEHART], and the Senator from New Jersey [Mr. SMITH] are necessarily absent.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from South Dakota [Mr. GURNEY], the Senator from Delaware [Mr. BUCK], the Senator from Illinois [Mr. BROOKS], and the Senator from Kansas [Mr. REED] are detained on official business.

The Senator from Connecticut [Mr. HART], the Senator from West Virginia [Mr. REVERCOMB], the Senator from New Hampshire [Mr. TOBEY], the Senator from Indiana [Mr. WILLIS], and the Senator from Iowa [Mr. WILSON] are detained on official business at the White House.

The PRESIDING OFFICER. Forty-nine Senators have answered to their names. A quorum is present.

Mr. BAILEY. Mr. President, it is my purpose to speak on the subject of Senate bill 101.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. BAILEY. I yield.

Mr. MAYBANK. I ask unanimous consent to introduce a bill which has received much study and much support in a subcommittee of the Committee on Military Affairs. I desire to introduce the bill on behalf of myself and the distinguished Senator from Wyoming [Mr. O'MAHONEY], who has given much time and thought to the subject of veterans' legislation, but who is not now present in the Chamber.

The PRESIDING OFFICER. Is there objection?

Mr. BALL. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard.

Mr. MAYBANK. Mr. President, may I suggest by way of a question to the Sen-

ator from North Carolina that this bill concerns surplus property of the Government of the United States? The bill concerns the rights of veterans, the rights of the boys who won the war and made it possible for us to be here today. It would enable them to get a better deal, a squarer deal, at the hands of the Government of the United States insofar as surplus property is concerned. I regret very much, Mr. President, that an objection has been made, and it will be my purpose at the first opportunity to introduce the bill as having been suggested by the subcommittee of the Military Affairs Committee.

The PRESIDING OFFICER. The Senator from North Carolina has the floor.

Mr. BAILEY. Mr. President, it is my purpose to speak briefly on the subject of the bill which is now before us, or at least is before us after a manner of speaking. It was once before us, and it is proposed that it again be brought before us. I refer to Senate bill 101 entitled "A Bill To Prohibit Discrimination in Employment Because of Race, Creed, Color, National Origin, or Ancestry."

I have read the bill with some care. I believe that I am prepared to lay before the Senate eight propositions which are presented by the bill.

The bill proposes, first, to apply and enforce the doctrine of privileges and immunities of United States citizens to the relation of employer and employee. It is an entirely new proposition.

Second, it seeks to do this by denying the right of trial by jury to employers, and also to officials of labor unions. It represents quite a reversal in the history of the English-speaking people in respect to the traditions and standards of American liberty.

Third, by a corruption of the Constitution and a fraud upon the commerce clause of the Constitution, it proposes to bring about that to which I have referred. I weigh my words. It proposes to invent, apply, and enforce a new doctrine of privileges and immunities of citizens of this country to the relation of employer and employee, and to do this by corruption of the Constitution by committing a fraud upon the commerce clause.

Fourth, it fails to make the distinction which our late President Roosevelt made in his Chicago speech last year, and the failure to make such distinction appears on the face of the committee's report. I shall, of course, come to that later.

Fifth, it presents the race and religious questions in our country in their most vexatious and irritating forms. It invites a revival of all that we abhor, and all that we should avoid as American citizens, and as American Senators, with respect to the regrettable race relations—race antipathies, if you please—race prejudices, religious antipathies and religious prejudices. It seeks to revive them in an hour such as the present one. It seeks to revive all the worst features of regrettable conditions which existed in the past, and that at a time when, as the senior Senator from Georgia [Mr. GEORGE] said only a day or two ago, the fate of our country appears to be hanging in the balance.

Sixth. It is a manifest and undisguised coercion of the American people and the American States by usurping the powers of the States and of the rights of the people. I said "manifest and undisguised."

Seventh. It would destroy essential rights. It strikes far deeper than any question of race or religion, and, if enacted, would destroy a hundredfold more privileges and immunities, more muniments of the liberty which was our heritage, and which we hope will be the heritage of those who come after us; it would destroy a hundredfold more than it could possibly preserve or than it professes to preserve.

Eighth. It reaches like an epidemic or plague into the relations of all men in our land. It spares no home; it spares no feature of business. It involves every individual—the farmer, the worker, the labor unions, the employment agencies, the mills, the mines, the stores, the merchants, the contractors.

These are the propositions which anyone can read in the plain language of the bill. I shall make no strained argument; I shall make no appeal to prejudice. I intend to read the bill itself because I wish what I am saying about the contents of the bill to be made very plain to the American people who read the RECORD, and very plain to Senators who I think in a mistaken zeal are inclined to give their support to a measure which has all the pretenses of fairness, but which, in reality, is shot through with deceit and fraud, with imposition and coercion, and which—and I say it with all respect—is really hateful to the American mind, and, if ever it becomes a law it will be condemned without measure by every class and every group, even the classes and the groups in the name of which it is now put forward.

Now, let us look at the bill, Mr. President. I said as my first proposition that the bill proposes to apply and enforce our American doctrine of privileges and immunities of citizens of this country to the relation of employer and employee. I think all of us have a certain understanding of our doctrine of privileges and immunities. We have always clothed the American citizen with certain rights and a certain status. He will find those rights written in the Bill of Rights, and he will find others derived from his very character as a sovereign citizen.

I suppose no matter has been more closely argued in this country—more thoroughly considered—than the subject of privileges and immunities. It was brought forward by the fourteenth amendment. It went to the Supreme Court, and it was resolved by the Supreme Court in the line of cases which are known in history as the Slaughter House cases, and which we have discussed heretofore on this floor.

Never before has it been proposed that the Congress of the United States should pass an act invading the precincts between the employer and employee, undertaking to say that what the employer does, or what the labor union does, on the other hand, by way of selectivity, by way of its own choice and its own protection, shall be included

as being amongst the privileges and immunities which we enjoy under our triumphant flag. But here it is.

Mr. President, I make bold to say that if we can do a thing like that to the Constitution under any pretext, then, by the same power and under the same reasoning, and with the same logic, the same right and the same wrong, we can invade all the relations of American life; we can go into the home, where there are husband and wife, father and child, if you please. When we open this door, we open Pandora's box. I sometimes think that is precisely what has happened to our blessed country, to all of us, under the auspices of my party, while I have been here in the Senate—that we have opened Pandora's box; that all the evils which men sought to avoid through all the ages are now flying forth, and this is the latest emanation, the latest child of that train of events which the Congress of the United States set in motion when it broke down the restraints of the Federal Government, destroyed the powers of the States, invaded the rights of the people, and, with kindly words and delightful promises, seduced ourselves and all our constituents to embrace this endless chain of evils.

Now, let us consider the bill.

The Congress finds that the practice of denying employment opportunities to, and discriminating in employment against, properly qualified persons by reason of their race, creed, color, national origin, or ancestry, foment domestic strife and unrest, deprives the United States of the fullest utilization of its capacities for production, endangers the national security and the general welfare, and adversely affects commerce.

Mr. President, that is just the trap. We have a right to dwell upon privileges and immunities of American citizens, we have to defend them and protect them, but when before was a bill proposed in the Congress using the commerce clause as a way and means of doing what the Constitution undertook to empower us to do in the Fourteenth Amendment, which has been followed ever since it was adopted. I should say, Mr. President, that the proposition here is to give the Federal Government, under the commerce clause, the same vast, far-reaching power which we all recognize it must have under the defense clause.

I continue to read from the bill. This is section 2:

The right to work and to seek work without discrimination because of race, creed, color, national origin, or ancestry is declared to be an immunity.

Whoever wrote that did not know what "immunity" means. An immunity is by way of escaping from something that is wrong. But by this bill we are asked to find and to declare this to be an immunity. I rather suspect some of the more recent opinions of the Supreme Court—I read one the other day—recognize that the Congress has a right to declare immunities. But I think when the Supreme Court said that, it did not expect us, nor did it predicate that we should use that power which the court declares we have as a means of inventing immunities to suit our ulterior purposes, political or otherwise. It did not mean

that we have the arbitrary power, if we want to do something, to invoke the commerce clause and say, "The commerce clause gives us the power to create a new immunity in America."

The immunities relate to the transactions between the citizen and his country. The Constitution throws around you, Mr. President, and me, muniments, if it be desired to call them such, which all the power of the Federal Government cannot attack, and which the States themselves cannot strike down. But we are using the idea of immunity as between employer and employee, and knowing that we cannot do it as a matter of right or a matter of duty, we are trying to derive from the commerce clause some semblance or color of power in order to accomplish a purpose and bring about a situation that happens to be agreeable to one group or another and to one senatorial mind or another. If Senators will notice the language, it says that we declare to be an immunity—

The right to work and to seek work without discrimination because of race, creed, color, national origin, or ancestry * * * which shall not be abridged by any State.

I am glad they did that. The declaration in the fourteenth amendment always has been confined to State action. Read the fourteenth amendment. I have read it on the floor of the Senate over and over again. "No State shall do this." It did not undertake to say what I shall do. And it deals with one political power as against another. Here we come with an invention and a fraud, knowing that the fourteenth amendment has to do with only those immunities of which a citizen may be deprived by State action, and we invoke the commerce clause intended to regulate commerce among the States and with foreign nations and undertake to use it to regulate transactions between the employer and the employee between a man and his neighbor. It is a manifest fraud, it is a manifest error to give a meaning to the Constitution which none of us thinks was ever intended; and to use the commerce clause by way of an amendment to the fourteenth amendment to the Constitution. By this bill the fourteenth amendment would even be broadened.

Mr. TOBEY. Mr. President, will the Senator yield?

Mr. BAILEY. I yield.

Mr. TOBEY. I appreciate that the question I am about to ask is an unusual one. The question is this: Would the Senator from North Carolina agree with the Senator from New Hampshire that it is thoroughly regrettable, because of an official visit at the White House, that the Senator from New Hampshire was unable to be present in the Senate Chamber to respond to the recent roll call? Does the Senator agree that the necessary absence on the part of the Senator from New Hampshire was thoroughly regrettable?

By that question, Mr. President, I establish the reason for my absence during the roll call.

Mr. BAILEY. Mr. President, I would not say the absence of the Senator from New Hampshire was ruinous.

Mr. TOBEY. The welfare of the Nation was not placed in jeopardy by my temporary absence.

Mr. BAILEY. I would say to the Senator from New Hampshire that those who were present at the time listened most eagerly to hear the Senator's response of "present." His name was called a number of times and we listened eagerly for him to respond, we hoped he would appear and answer; we prayed that he might come into the Senate Chamber and answer to his name.

Mr. TOBEY. I will say to the Senator that I was here in spirit though not in body.

Mr. BAILEY. I wish we had known the Senator was here in spirit. The spirit, though present, seems to have been weak. [Laughter.] But the Senator walked into the Chamber a little while after the roll call.

Now we proceed from this feature of my remarks to the next. I wish to read again from the bill, section 3:

It shall be an unfair employment practice for any employer within the scope of this act—

And it shall be a violation of the privileges and immunities of American citizens—that is the implication. It is not written in the bill. It would have been absurd if it had been written in it. I continue to read:

(1) To refuse to hire any person because of such person's race, creed, color, national origin, or ancestry.

There is where you walk right into the situation. If I were going to talk about privileges and immunities in these terms I would say that one of the great privileges and immunities of an American citizen has been to select his own help; the immemorial right to hire and fire, a right which is indispensable to his business. How could I conduct a business—fortunately I am not operating one—if my right of selectivity were taken from me? I may like a man who is red-headed, or I may not like a man who is red-headed. I may not like a man who is baldheaded. I may want a young man in my business. I may want an old man. I may want a Baptist, and I may want a Catholic. I may want a Jew. I may want a Czech. I once employed a Czech, and I believe I will say a word about that.

I ran for Governor once and was defeated. That was all right. It was one of the best things that ever happened to me, and was not bad for the State. A good man defeated me and he made a great Governor. He is dead and gone. While I was running for Governor I attacked the Ku Klux for their intolerance and for their narrow mindedness; I denounced them right and left way back yonder in 1924. Our present Presiding Officer [Mr. HOWE in the chair] knows about it. In that campaign a group of men arrested my car in which were my chauffeur and myself, on the highway between the town of Kinston and the town of LaGrange. The group of men got in front of my car and stopped us. The car rolled up to them, and I said, "Well, now, what is it?" They said, "We understand you have a Catholic in your employ. He is on your staff while you are running for Governor." "Well," I

said, "I do not know." I never ask about the religious attachment of anybody. But I did not care. They described my stenographer, a young fellow. I said, "Now, I do not know, but God forbid that I should deny it. You assume he is a Catholic, and do your dirtiest, and do your worst."

I did not say a word to that young fellow until after I was defeated. I called him in one day and said, "Mr. Howard, I have a little reason for asking you what sort of religion you have." He said, "Mr. BAILEY, I am a Lutheran." He had come from Czechoslovakia. He was a stranger in a strange land. And here was that miserable, snooping, intolerance undertaking to put me in a bad light unless I should discharge him on the ground that he embraced the Catholic religion. There is an example of interference between man and man, employer and employee; there is an example of intolerance. When was it ever held that the United States Government should appoint a board which could appoint examiners to do precisely the same thing in America—to interrogate me about why I employed a given person, or what that person believed or did not believe, or what his color was? Freedom from such inquisition is a right for which the flag stands. It is a right for which every American stands.

There cannot be any commercial fabric with the Government or its agent by raising such questions interfering in the worker relationship in the store, in the hotel, in the railroad, in the bank, in the mine, or on the farm. Protection against such interference is a part of the liberty left with the people. There is not a word in the Constitution about it, and the power is not given to the Congress or reserved to the States or the people. The States have been too decent to raise such questions, and have left them to the American people. That is one reason why I feel so deeply about this matter. I do not believe that the question of race in America is so serious. I do not believe that the question of religion in America is so serious. I think it is a strange sort of commentary on things when such questions are raised.

One Senator from North Carolina now presides over the Senate, and the other stands here. During the 1928 campaign both of us canvassed that State for no other reason than to try to teach our people that they should not raise the religious question. The people said we were cutting our throats. I received the second largest majority any man ever received in our State, and the Senator in the chair received the largest. That is the timber of the American people.

Mr. CHAVEZ. Mr. President, will the Senator yield to me for a moment?

Mr. BAILEY. I yield.

Mr. CHAVEZ. I can state to the Senate that what the Senator from North Carolina has said is correct. I followed his career in North Carolina in 1928. When intolerance was growing no one showed a greater degree of tolerance than did the good Senator from North Carolina.

Mr. BAILEY. I am thankful to my good friend. Since we are speaking some-

what personally, let me say that within 2 years of that dread campaign, the night the returns came in and I learned that I had won in the primary by 73,000 votes, he sent me a telegram which I think must have cost him \$25. He was of the same view as I was.

Mr. President, I know a little about things. I am a small-town man. Take the steel mills, which have more than 700,000 employees. No question is raised as to where they came from, or what their religion is. General Motors employs 160,000 persons, and the same is true of that organization. But how about the little stores? How do they operate? A drygoods store may have 30 clerks—so many Baptists, so many Catholics, so many Presbyterians, so many Methodists, and so many Jews. That is a matter of accommodating themselves to the situation, a matter of meeting the trade demands, and developing friends and contacts. There is nothing wrong about it.

What will the situation be if this bill is enacted into law? Every time an employee is discharged for cause, or every time an applicant is rejected on the basis of judgment, the religious question will be raised. There will be irritation, disintegration, and disgrace. Yet we propose to do that in the name of freedom of religion. What about the freedom of the man?

Mr. President, I could multiply instances—

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. BAILEY. I yield.

Mr. RUSSELL. I do not like to interrupt the train of thought of the Senator from North Carolina, but I am sure he realizes that the bill in the first instance would not only nationalize all employment in industry, business, agriculture, and all other lines of work, but would also attempt to vest in the board the power to determine whether or not a man had been discriminated against for the reasons assigned, in the most intimate relations of employer and employee. That situation would apply equally to promotion within a plant as to employment in the first instance. The result would be the absolute nationalization of all business, industry, and agriculture in this country.

Mr. BAILEY. I thank the Senator for making very clear what I was trying to make clear. With that observation I shall move on.

I come to the second subdivision of section 3, which denounces as an unfair employment practice, and therefore an interference with privileges and immunities, and therefore a violation of the commerce clause, the discharge of any person from employment because of such person's race, creed, color, national origin, or ancestry. I might have an alien enemy, a Japanese, in my employ; but if I wanted to get rid of him I would run the risk, not of a lawsuit, not of an honest criminal prosecution, not of an adverse jury verdict, but of an inquisition which might result in a fine and imprisonment in jail.

Mr. President, for the benefit of the labor unions I should like to read that portion of the bill on page 3 in which, un-

der the fiction of privileges and immunities, under the fraudulent application of the commerce clause, the power of the Congress to regulate labor unions would be absolutely established. I realize that that may be water on the wheel of the advocates of the bill, but that is exactly what the labor unions have been fighting against all these years. We passed the Wage and Hour Act in the name of the commerce clause. I felt sure, when we passed the Wagner Act in the name of the commerce clause—and I was one of four Democrats who voted against it, and I am just as much against it today, when the wreck and ruin it involved is upon us, as I was then, before all its bitter consequences had ensued—that the Wagner Act threw the labor union absolutely within the power of the Congress to regulate it. If there is any doubt about it, here is a plain assertion of that power. I make that statement as notice to the labor unions. If we pass this bill and the act is declared constitutional, righteous, and properly founded, there will never be any question in America as to the regulation of the dues, the membership, the power to admit and the power to expel, of labor unions. If the labor unions want that sort of a law, let them support this measure.

Subsection (c) of section 3, on page 3 of the bill, reads as follows:

(c) It shall be an unfair employment practice for any employer or labor union within the scope of this act to discharge, expel, or otherwise discriminate against any person because he has opposed any practices forbidden by this act or because he has filed a charge, testified, or assisted in any proceeding under this act.

Suppose we were to add the words "or because he has not paid his union dues." Such a provision would be just as good as the other provisions. If the language of the bill as it is now written is constitutional and good, the language which I have suggested would be just as well-founded.

Mr. President, I now come to that portion of the bill which would result in a denial of trial by jury. It is a wonderful production. I do not need to talk to the Senate at length about trial by jury, the great foundation of liberty and human progress, the soul of English and American freedom. Yet under the terms of this bill, if a farmer in North Carolina or a mill operator in North Carolina, or a hotel keeper in North Carolina is complained against by someone for having dismissed an employee, or for not having hired him, what happens? Read the bill. The complaint is made to a board—not to judges, but to a board. If I understand anything about it, a board means a gang of politicians. The board sends an examiner to the State. The board does not have to go. The board consists of only five members, and they cannot attend to all the business in America. The board sends an agent or examiner, and the agent or examiner finds the facts and reports them to the board. What chance has the individual? He cannot hire lawyers to come here and represent him. There never was a lawyer who could handle an examiner. Old Blackstone himself would have given it up, and Edward Coke would have longed

for death rather than undertake it. Edward Coke was the smartest lawyer who ever walked the earth—too smart, I think. The examiner reports, and the board finds that I am guilty because I have taken away a privilege and an immunity of someone—an invented privilege and immunity, at that; but that does not help me. The board finds that I have invaded the precincts of liberty.

What happens to me? The chairman of the board issues a citation against me to cease and desist. He restores the man who complains, with or without back pay; and I must travel all the way to the circuit court of the United States in order to obtain a hearing. There has been no jury, no finding of fact, no chance for me. I go to the circuit court. It sits at Richmond in the winter and at Asheville in the summer. In either event I have to travel 175 or 200 miles, and a great many North Carolinians would have to travel much farther. In order to be heard I have to go that far. Having heard me, they say "You are guilty of this wrong which the board has found you guilty of. We affirm the decision of the board and the examiner, and you go to jail. You have not committed any crime; you have not taken anyone's money; you have not interfered with anyone's rights. You have been a plain, straightforward American, but you are going to jail and you will stay in jail so long as the court wants you to stay there." That is the proceeding in contempt-of-court cases. I will tell you, Mr. President, what the consequence of that will be. Such proceedings in the nature of those in contempt of court, if proceeded with, will bring the Congress, the flag, the country, and the courts into general contempt and disrepute. That will be a consequence of that sort of contempt-of-court action.

Mr. RUSSELL. Mr. President, if the Senator from North Carolina will pardon me again, let me say that I am sure I asked him if he also noted that in such a case he would have absolutely no chance if he went to the court, because under the very terms of the measure if there were any evidence at all, even from the complainant, that the Senator from North Carolina had discriminated against an alien, for example, because he did not choose him to fill the position, for instance, of manager of his business, the circuit court of appeals could afford the Senator from North Carolina no relief, regardless of how lop-sided the record might be in his favor. If there were any evidence whatsoever in support of the complaint, the Senator from North Carolina would be sent to jail.

Mr. BAILEY. Yes; and not only would I be sent to jail, but I would be sent to jail until I rotted. Sentences in contempt-of-court cases are in the discretion of the court. In such cases the sentences are not determined in accordance with statute, but the court can say, "You stay in jail until we say that you may leave, for otherwise you bring the court into disrepute."

Mr. President, I never thought I would ever see such a proposition advanced. When I came to the Senate it never occurred to me that I would have to make a speech in protest against such

a proposal. When I was running for office down yonder in North Carolina it never occurred to me that anything like this would be one of my functions. But here I am; and it is a reality, it is a tragedy, it is a shame, and it is a disgrace—the very idea that the Senate has been brought to this point, the idea that this country has been brought to this point, the idea that those of us who oppose this measure are being held up in the American newspapers for criticism and scorn and denunciation, when we are standing here to defend the most precious rights of our fellow citizens.

Mr. President, it does not mean anything to me personally. I do not employ anyone and I am not going to employ anyone. But I am thinking about the great host of people in my State. I am not appealing for their votes, either. I am not saying anything to tickle their ears. Nor am I running away from the threats of those who say that I will lose certain votes. It does not make a bit of difference. I am sworn to support the Constitution; I am sworn to support the same Constitution for which 13,000,000 Americans fought in the recent war, for which 300,000 or 400,000 of them died, and for which 300,000 more are walking with armless sleeves and wooden legs. Why should not I stand up for the Constitution for them in order to pay in some small way the debt I owe them? Those who run from such an obligation are unworthy of the sacrifices made by the men who died and the men who wore the uniform of our country and the men who now are returning from the war.

Mr. President, it is a strange day; the proposition before us is a strange one. Here, after six centuries, it is proposed to deny to American citizens the right of trial by jury; it is proposed to assert the power to put an American in jail without a judgment from his peers, without the ancient finding of facts which through the centuries has been developed as the best means of which men know for finding the truth. If that can be done in the name of the commerce clause of the Constitution, if that can be done in the name of fictitious privileges and immunities, the time will come when some of us will be put in the electric chair or in the gas chamber or under the noose without the benefit of a trial by jury, but simply by order of a judge.

So, Mr. President, we stand here in a grave situation. There are persons who regret that this measure has come up at a time when so many important matters are in the minds and hearts of the American people and when distress and confusion confront the Nation. I am here to say that resistance to this proposal is as important a matter as any which has been presented to this country since the day when, with broken hearts, we called our boys to arms.

Mr. President, I could say considerably more, but I think I shall conclude with just one further word. I have been here 15 years now, the coming March. I have seen the process of nationalization going, going, going, like the vortex of a hurricane. We have nationalized agriculture, we have nationalized labor, we have

nationalized industry, we have nationalized here, we have nationalized there. The power is here; but there seems to be no help here, no capacity to stem these trends. I heard President Hoover protest against the tendencies toward nationalization. I heard him say to the newspapermen of America that it was wrong, that it was a mistake; and then he said to them, "Gentlemen of the press, if you know how to stop it, kindly let me know."

Then came on that horrible whirlwind, to change utterly the character of the country, striking down the rights of the States, uprooting the powers and privileges of the people.

Still we go on, and now we come to this, one further step. I have resisted most of the process, Mr. President, and I am glad I have. I have no apologies to make, and I shall continue to resist. I do not believe a government which goes that way can go much farther. I do not believe a people who go that way can go much farther. We are now in a period very much like the one which followed the French Revolution and the Napoleonic Wars: Confusion everywhere, a want of a sense of direction, a want of order. In Europe at that time there appeared Metternich, the statesman, the Prime Minister of Austria, and the political conqueror of Napoleon. He became the coachman of Europe. All the nations rode in his coach. Mr. President, what do you think was his motto? What was the guiding principle of his life? Read his life. Metternich was guided by one principle. He said in effect: "Nationalism means Jacobinism and Jacobinism means chaos." Nationalism means extremism. The greatest extremist is oftentimes the most popular candidate. Let him beware. Let him follow the Jacobin school of the extremists and he will be led into hopeless chaos.

Even Metternich resisted until 1749 and then fled for his safety to the British Isles. All Europe flared up. The German Empire rose. Von Moltke and Bismarck rose. France flared up. Later she fell in ashes, just as she has fallen since. Those nations never got anywhere, and we shall not get anywhere now until there shall be reestablished the great principles of individual human rights, local self-government, and the powers of the American States to attend to the needs of their people. We are now in the Jacobin period, and unless we take great heed we will be in the chaos period tomorrow.

Mr. RUSSELL. Mr. President, I wonder if I may inquire as to the plans of those in charge with respect to a recess or an adjournment. I should like to know whether it is proposed that we continue into the night. We have heard many conflicting statements, including extreme threats and maledictions. I did not know just what the program was, and I wanted to be given some idea as to how long it is expected that we shall continue, whether we are to hold a session tonight and whether cots have been rolled in as one Senator has suggested. If it is proposed that we carry on, I wish to suggest the absence of a quorum. I do not wish to discommode my brethren

who are in their offices, or performing work elsewhere, but if we are to continue until a late hour I shall suggest the absence of a quorum. I have received no information except what I have heard from the Senator from Maine in an informal conference.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CHAVEZ. I wish to say to the Senator from Georgia that this afternoon has been the first time that we have heard a discussion of the merits of the bill. I wish to congratulate the Senator from North Carolina [Mr. BAILEY], if the Senator from Georgia will allow me to do so, for explaining his views with regard to the merits of the bill. It is my understanding that the Senator from Georgia would like to discuss the merits of the bill, and inasmuch as the merits should be discussed I think it is only proper that we should proceed and hear the Senator from Georgia.

Mr. RUSSELL. Mr. President, I suggest the absence of a quorum.

Mr. WHITE. Mr. President, will the Senator withhold his suggestion?

Mr. RUSSELL. I withhold my suggestion of the absence of a quorum.

Mr. WHITE. I am not one of those who have the immediate or direct responsibility of handling this legislation during the course of the day. However, I believe that I am justified in saying that the members of the minority in the Senate are strongly of the hope that the debate may continue at greater length than it has gone so far. I hope that today, or at least tomorrow, the debate may be continued until 6 o'clock in the afternoon. That should give us an opportunity, through the clarification which may be made, and the discussion which will be had of the bill, to better determine what the procedure shall be and what the length of the discussion should appropriately be. During that time we should hear a somewhat detailed exposition or explanation of the various provisions of the bill. There are questions with respect to the bill which I should like to ask and, if the Senator from Georgia or some other Senator on the majority side proceeds with the discussion I might desire to ask him some of those questions. I feel that we should not close the Senate sessions at 5 o'clock in the afternoon when there is so much public interest being shown, and so much interest in the Senate itself in regard to the proposed legislation. From 12 noon to 6 o'clock in the afternoon is not a day of undue hardship.

Mr. RUSSELL. Mr. President, I am always glad to do whatever I can to cooperate with the distinguished Senator from Maine in carrying on the business of this body. It is customary at a time such as this that some announcement be made on the floor of the Senate with respect to the length of time that the Senate will be expected to remain in session. It is now approximately 5 o'clock in the afternoon, which is a time when the Senate ordinarily and customarily adjourns. We have heard a great deal of talk about a filibuster being in progress with regard to a bill which has been before the Senate for only 3 days.

I was very much intrigued by the technique which was employed to depreciate the efforts which are being made by those of us who are resisting the bill. An attempt has been made to inflame the minds of the American people to the extent that they will close their ears to the very substantial objections which we think lie against this bill. On Thursday last the Senator from New Mexico [Mr. CHAVEZ] made a motion to take up the bill. I shall not complain of the manner in which the motion was made. The majority leader and the minority leader both suggested that it was in keeping with custom and tradition, as well as a proper respect to be shown to the President of the United States, to defer consideration of any pending measure until after his message was received and read. The Senator from New Mexico was within his rights in making the motion which he made, although many of us who oppose the bill had an understanding that the motion would not be made. I may say frankly that the motion caught us flat-footed. For the first time in 13 years that I have been a Member of the Senate, I was downtown at a luncheon on a day when the Senate was in session. I certainly would not have been there had I had the slightest idea that any bill would be taken up.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CHAVEZ. There is no particular reason for any Senator to complain of being taken flat-footed, because nothing of the kind was intended.

Mr. RUSSELL. Very well. Whatever was intended, or whatever happened, under the rules we are back in the same position which we were in before the Senator made his motion, so we have not lost in any way.

Mr. CHAVEZ. The Senator is correct. No one is complaining to him. I was glad that the Senator from North Carolina this afternoon discussed the bill on its merits. He might be correct. The proponents of the bill do not contend that they are infallible. We have our views. The Senator from North Carolina may be correct in his views. So long as the bill shall be debated there will be no intention of deterring any Senator from expressing his views. Before the Senator reconvened I personally told the Senator from Mississippi of my intentions. He asked, "Senator, do you intend to bring up the bill?" I said, "Yes."

Mr. RUSSELL. Mr. President, we all knew the bill would be brought up, but we did not think it would be brought up until after the President's message was read. I am not complaining about that. I was discussing the technique which was employed to prejudice the people of this country against those who are opposed to what they believe is a vicious proposal eventually to nationalize all the business, industry, and agriculture of this Nation. The Senator from New Mexico held the floor for most of one afternoon. He talked in support of his bill much longer than anyone else, and then he went on the radio in the evening and said that a terrible filibuster was being conducted against the bill, and that it was neces-

sary to see that the rights of the majority were not obstructed by the minority. He referred to "these Southern Democrats." I do not know that he used that exact expression, but he used it in his conference with commentators, and the airways were full of it.

My good friend from Oregon [Mr. MORSE], with fine timing dusted off the ancient idea of a continuous session when the bill had not been before the Senate for two regular sessions, and rushed in with a statement which went out through all the airways and through all the press, suggesting that we wheel a great many cots into the rooms around the Senate, and hold the Senate in continuous session for 24 hours a day in order to stop all this terrible obstructionism which was being displayed against the bill. The bill had not been before the Senate for as long a time as the Senator from Oregon talked about the "soft lambs," or whatever it was, last fall.

Mr. BANKHEAD. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. BANKHEAD. Did any of those who proclaimed so loudly and so quickly get the headlines in the newspapers?

Mr. RUSSELL. The Senator can well draw that conclusion.

Mr. McCLELLAN. Mr. President, will the Senator from Georgia yield?

Mr. RUSSELL. I yield.

Mr. McCLELLAN. If we are to discuss this measure, if that is the purpose, and that is what its sponsors desire, we are not going to discuss it very long in the absence of a quorum, so long as I am on this floor. I am not going to remain here and listen to a discussion and let others stay away, and if we are to have these long sessions, there are going to be about 49 of us present, so long as I am in a position to make a point of order that there is not a quorum present.

Mr. RUSSELL. Mr. President, as I was saying, I think the position of the Senator from Oregon was particularly unkind toward us, because if someone had asked me—and I stay around the Senate pretty regularly—to say what Senators had made more speeches and had talked more words into the CONGRESSIONAL RECORD than any other Senator during the first session of this Congress, I would have said that the distinction should be awarded to the Senator from Oregon. Perhaps the Senator from North Dakota [Mr. LANGER] was a little ahead of him, but certainly one of the two would have earned that distinction. I heard the Senator from Oregon proclaim most eloquently about the right of free speech. One day a Senator became a little irritated because the "soft-lamb" discussion was taking up time which he thought should have been devoted to considering legislation, and I was much impressed with the histrionic ability and the fervid eloquence with which the Senator from Oregon insisted upon his right of full discussion.

Now, with one speech made on the bill, and the bill before the Senate for 2 days under this unusual technique, there is an effort to prevent a full exposition or explanation to the American

people of the defects in the proposal. The proponents of the measure filled the newspapers with the statement and got all the left-wing radio commentators saying that a filibuster had developed.

Mr. President, it is nothing unusual in the Senate to discuss important legislation for as much as 1 week. This is the first time to my knowledge since I have been a Member of this body that a filibuster has been proclaimed before a bill was not on the floor of the Senate. This is the first time there was a suggestion that we start having more lengthy sessions than ordinary when a bill has not even been explained in any detail by those who are supporting it.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. RUSSELL. In just a moment.

Mr. CHAVEZ. For just one question.

Mr. RUSSELL. I yield.

Mr. CHAVEZ. If the Senator from Georgia wants the Senate to recess at any particular time this afternoon, let that be known.

Mr. RUSSELL. I was suggesting that the idea of holding the Senate here until 6 o'clock, when the bill has just come before the Senate, is merely a part of the purpose to try to influence the American people into thinking that all the opposition is by just "a lot of those infernal southern Democrats," when no one has even undertaken to explain the bill in detail, in all its provisions, even the supporters of it.

I resent this insidious campaign. I can take my part of the abuse and my colleagues who are associated with me in this fight can take theirs, but I say it is a bit unfair to start a shadow filibuster when the only time taken on the bill has been used by the proponents of the proposed legislation.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CHAVEZ. I believe that my good friend on my right has been quoted in the papers as saying that he would take 30 days "at one crack," and that he was going to have two cracks at it.

Mr. RUSSELL. That came out after the Senator had proclaimed the filibuster over the airways, after he had finished speaking on the bill and went to a radio studio and said there was a filibuster on his bill.

Mr. CHAVEZ. I repeat, even though I do not agree with him, I compliment the Senator from North Carolina, because he discussed the bill itself. I am sure the Senator from Georgia never acts here with the idea of interfering with the Senate, but tries to give his opinion as to what he thinks about proposed legislation. I am sure that the Senator from Georgia should have all the time necessary, ample time, and reasonable hours, and he will have, so far as I am concerned. But I do have a little respect for propriety. I was hoping I would get our leader on the floor today so that I could discuss with him what we should do. But it happens that on account of unavoidable reasons the leader is not present, so we are asking and I think it would be proper, as suggested by the Senator from Maine—that we proceed.

If the Senator now desires, so far as I am concerned I should not interpose an objection to recessing.

Mr. RUSSELL. Mr. President, I wish to make it clear that those who are opposing the bill are not in the least impressed or intimidated by the threat of permanent sessions. We will be here.

I wish to say further, Mr. President, that those who are saying that we should take up the bill at this critical time because there is nothing else that can be brought before the Senate, that there is no other proposed legislation, might tell that to the uninformed, but they do not fool Senators with that kind of talk.

Mr. BALL and Mr. MAYBANK addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Georgia yield, and, if so, to whom?

Mr. RUSSELL. I shall yield in a moment. There is not a Member of this body who does not know in his own heart that the very pendency of this measure here has already gravely impaired the functioning of the committees of this body, where all legislation must first see the light. There is not a Member of the Senate who does not know that if we start meeting at 11 o'clock—and we who are opposing the bill will be here, if the majority says so—it will absolutely paralyze the functioning of the committees. If Senators carry out the threat of holding continuous sessions, we will be here, but there is not a Member of this body who does not know that if the Senate is kept in session for 60 hours, it will be incapacitated for intelligent legislation for weeks, if not for months.

Those who brought this bill up knew it was going to provoke a fight when it was brought up. There is not a man in the Senate, or among the members of the press, or among the radio commentators, who did not know the bill was going to provoke a long and bitter fight. We did not think this was the time for this bill to come up. We deplore it coming up now. But we are ready to meet it. Senators can wheel in their cots. There are some of us who know our rights on the floor of the Senate, and when they wheel in their cots, we will wheel in ours. Ours may not be accompanied by a string of newspaper reporters, there may not be as many flashlight bulbs that will pop when we wheel in ours as when they wheel in theirs, but we know our rights, and we are prepared to assert them and we will sleep with clear consciences.

I say the effort to put those who are opposing the bill, even before the bill had been explained to the Senate, in the position of conducting a filibuster was merely to prejudice our cause in the minds of the American people, and it could not have been designed for any other purpose.

I now yield to the Senator from Minnesota.

Mr. BALL. Mr. President, so far as I am concerned, if Senate bill 101, which is now the unfinished business, had really been discussed on Friday as it is being discussed today there would have been no implication on my part that a filibuster was developing. Certainly I think a week of discussion, perhaps 2

weeks, on a bill of this kind is not too long, but I remind the Senator from Georgia that on Friday the unusual procedure of insistence on the reading of the Journal of the preceding day was resorted to, and that is now the pending business before the Senate; Senate bill 101 is not. Of course, the Senator is aware of the fact that the cloture rule of the Senate is defective in that it does not apply to the present unfinished business, but I think it perfectly obvious what the purpose is.

Mr. RUSSELL. The Senator can draw any conclusion he wishes to draw, but we had a perfect right to protect ourselves, the bill having been made the unfinished business, whether it was through a misunderstanding or through dereliction on our part, and we were denied our right to debate the motion to proceed with the bill by having the motion made during the morning hour, when it was not debatable. We could have protected ourselves in that matter if we had known the bill was going to be taken up, but inasmuch as we did not we sought to recapture the parliamentary advantage we had lost. There is nothing new in having the Journal read to recapture a parliamentary advantage. I did the same thing on another occasion, when there was another bill pending before the Senate.

So far as I am concerned, I propose to discuss the bill as long as I choose and make any statements which I think are relevant to the present situation, such as the pressure campaign that is being waged to try to secure the enactment of the bill, featured by the multitude of threats and maledictions which have been hurled even before the bill has been explained to the American people. But certainly we would have been foolish when we had an opportunity to recapture our parliamentary advantage if we had not done so. As I stated a few minutes ago, some of us know our rights on this floor, and we propose to assert them. O, Mr. President, there is not a rule of the Senate that is drawn in view of helping the majority cram legislation down the throat of the minority—there is not one.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. MAYBANK. I wanted to ask the distinguished Senator from Georgia if he did not also believe that we, perhaps in the minority temporarily, realize and appreciate the status of the minorities in this country, and in view of the fact that perhaps we might be the minority in connection with this bill, that if we should succeed in recapturing anything which the minorities should recapture, we would have done so in the interest of the minorities of this country?

Mr. RUSSELL. Mr. President, of course, the Senator from South Carolina knows that if there is anyone in this body who is in a position to sympathize with any poor, maligned, and abused minority anywhere, it is one of those who bears the label of a southern Democrat. We are charged with responsibility for everything that anyone dislikes because we represent a pattern of the country that does not appeal altogether to some

of those from other sections. Mr. President, anyone who reads newspaper articles which are in any wise critical of the Senate will note that usually the writer winds up by placing the blame on the southern Democrats. We are accustomed to that and we are perfectly willing to bear it. Writers may use it as a calumny, but I accept it as a badge of honor, so far as I am concerned.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. RUSSELL. Yes; I am glad to yield to the Senator from Maine.

Mr. WHITE. I should like to say a word in response to what the Senator from Georgia has just said about southern Democrats. I want it to be known, so far as I am concerned, that I have only respect for Members of the Senate from what we call the Southern States. They are gentlemen; they are men of ability; they are men of character; and I am proud to be associated with them in this body.

Mr. RUSSELL. Mr. President, that is indeed balm to our wounded feelings in this most recent campaign which has gone out over the air and through the press. Coming from the distinguished Senator from Maine it will probably be a complete panacea for our hurts, and it will probably determine our course of action tomorrow.

Mr. WHITE. Mr. President, there has been some restlessness because of a suggestion that there was a filibuster under way and a somewhat sharp denial of the fact. Mr. President, there can be no denial of the fact that a filibuster is impending and that a filibuster has been threatened over and over again. We have the record with respect to the Journal, called attention to by the Senator from Minnesota [Mr. BALL]. That was a part of a filibuster. And when Senators try to say it was not, they are undertaking to fool the country, and worse still, they are undertaking to fool themselves.

Another Senator, on the other side of the aisle, at whom I am now looking, but whom I do not now call by name, has spoken of the speeches he is to make, and he has indicated that his first speech is to be for 30 days' time. Other Senators have indicated that they propose to talk against this proposed legislation as long as they are able to stand on their feet and give utterance to words, if not to thoughts. In the face of that situation, I do not think anybody can deny that a filibuster is in process, that a filibuster is in purpose.

Now may I offer a little gratuitous and unsought advice. I happen to be one of those, Mr. President, who, as I am now advised, shall vote against this bill if it comes before the Senate for passage. After all, the key to this whole situation is whether there are sufficient votes in this body to order a cloture or whether there are not sufficient votes to do that. I think the sooner that question is determined, the sooner we arrive at a conclusion as to whether the Senate of the United States is to invoke a cloture against itself, the better it is for all concerned. I think we will stand better before the country when we have deter-

mined that question. And if it appears that there is not a sufficient number to invoke cloture, then I assume that this proposed legislation will disappear from the calendar and be removed from our consideration. If, on the other hand, there are votes in sufficient number to invoke cloture, then the only recourse is the passage of the legislation or continued and indefinite talk.

If I had my own way about this situation, and I say this in good spirit and in good faith to those who feel strongly against the pending bill—if I had the responsibility of decision which is theirs, I would welcome an early vote, because I say that if they have the votes to prevent cloture, they can stop this legislation, and if they do not have the votes to prevent cloture, then the legislation is ultimately going to pass, and it is better for all concerned, in my opinion, that a decision is reached and the matter disposed of. The country will approve of it, and I think the Senate of the United States will think more of itself.

Mr. RUSSELL. Mr. President, I appreciate the advice of the Senator from Maine. Of course, I am not at all surprised that the Senator states that he will vote against this proposed legislation. I have known and followed the Senator and have been one of his admirers since the first day I became a Member of this body. There is not a sounder legislator here. The Senator from Maine would not fall in the category of some of those supporting the bill who work both sides of the street, who seem to think that thereby they will get the Republicans into power.

I have here, and I intend to use it before I conclude, a little statement issued by one of the extreme left-wing aggregations. They are sending out instructions to their people. They say, "Here are the instructions to be given to the voter." They say, "Go to your Congressman." They say, "If he is a Republican tell him that he is bound by his party platform to vote for the FEPC bill. If he is a Democrat tell him that the Democrats will lose the next Congress if they lose the Negro vote, and therefore that he will have to support the measure."

Of course, I think those people do not evidence a very exalted idea of the intelligence of the Republican Party to say that simply because they came out in their platform for a Fair Employment Practice Committee, the Republicans have got to accept this misnamed fair employment bill. Certainly if the Republicans vote for this bill in its present form they will sell their birthright for a mess of state socialism and perhaps a few votes. The Republican Party should have the wisdom and courage to assert the right to say the kind of fair employment practice committee they are willing to support.

Some call this bill a fair employment bill. That is the worst misnomer in all history. If a bottle of strychnine were to be labeled as a "cure for any ailment" it would be just as sensible as to call this a fair employment practice bill. Republican Senators will do well to consider it and to see how it jibes with the other planks in their platform.

Mr. President, I am intending to speak on this bill. I have done some little work on this bill, not by way of having written a speech about it, but in attempting to study and analyze it. I have never found as many defects in one bill and have never seen so much avaricious grasping, and seeking for power in any one commission as is sought in this bill. I think I can convince almost any Member of the Senate of that fact. But I do not want to undertake to make that speech this afternoon. We have had a long and hard day. I wonder now if Senators are going to charge the President of the United States with being a southern Democrat for sending in such a lengthy message at this time. I am sure he would have been accused if he had not specifically and in terms stated that he was for some kind of fair employment practice commission.

Mr. President, the bill has been discussed by the Senator from North Carolina [Mr. BAILEY]. I do not believe that we should be required to continue in session this evening. I do not believe that I should be forced to begin a speech tonight, and take it up again tomorrow. I do not like to do that, and no other Member of the Senate likes to do it. We can protect ourselves by parliamentary devices; but what is the need for calling for a quorum of the Senate at this time? It would be 6 o'clock before we could assemble 49 Senators in the Chamber. I appeal, even to those who wish to cram this measure down our throats in a legislative lynching, without any hearing, and without an opportunity to point out to the country the infirmities of the bill. I appeal to them to show enough fairness to let us suspend at this time until tomorrow. I do not wish to be compelled to resort to all the parliamentary devices which I could use to bring Senators into the Chamber. It may be much later than 7 o'clock before any speech is made. I do not wish to resort to such parliamentary tactics. I appeal to the Senator from New Mexico [Mr. CHAVEZ] and the Senator from Maine [Mr. WHITE] to let us take a recess at this time. We were not put on notice that the Senate was expected to remain in session until 6 o'clock.

The bill will be discussed. I may say to my friend from Maine that I have not denied that there will be a filibuster against the bill. So far as I am concerned, if my colleagues will stand with me there will never be a vote on cloture unless we know beyond peradventure that the motion for cloture will be defeated. We shall require every assurance of it. I believe that the bill is so iniquitous that we are thoroughly justified.

As I stated a few minutes ago, before I was interrupted, the rules of the Senate were not designed to help the majority of Senators. They were designed to protect the rights of the minority. Those giants of yesteryear who wrote the rules knew that there would be times when pressure groups would exert their influence upon Senators. They knew that there would be times when the unwary would fall into commitments, when the timorous would be intimidated by pressure groups. They wrote the rules so

that a minority, which was so convinced of the righteousness of its cause that it was willing to take any form of abuse, might block a bill. I defy any Member of the Senate to go back through the pages of the history of this body and point to one piece of legislation ever defeated by a filibuster which was really material to the welfare, happiness, and prosperity of the people of the United States. When the majority is absolutely right, the rules suffice. When the majority is wrong, the rules protect the minority in demonstrating that fact.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. CHAVEZ. Prior to the time when the Senator from Georgia made his last statement, to the effect that so far as he was concerned we would never have an opportunity to vote on cloture—

Mr. RUSSELL. I said until we knew something about what the vote would be.

Mr. CHAVEZ. Prior to the time when the Senator made that statement, it was my intention to plead with the Senator from Maine; but so long as that is the position of the Senator from Georgia and other Senators, we might as well proceed.

Mr. RUSSELL. Very well.

Mr. President, I move that the Senate take a recess until 12 o'clock noon tomorrow.

Mr. WHITE. Mr. President—

Mr. RUSSELL. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Austin	Gossett	McKellar
Ball	Guffey	Maybank
Bankhead	Hart	Millikin
Bilbo	Hawkes	Morse
Briggs	Hayden	Murdoch
Byrd	Hickenlooper	Radcliffe
Chavez	Hill	Russell
Cordon	Hoey	Taft
Ferguson	Huffman	Wiley
Gerry	La Follette	McClellan

The PRESIDENT pro tempore. Thirty Senators having answered to their names, a quorum is not present. The clerk will call the names of the absent Senators.

The Chief Clerk called the names of the absent Senators; and Mr. CAPPER, Mr. DONNELL, Mr. GURNEY, Mr. HATCH, Mr. LANGER, Mr. MCCARRAN, Mr. MCFARLAND, Mr. MCMAHON, Mr. MEAD, Mr. SALTONSTALL, Mr. STANFILL, Mr. TOBEY, Mr. TYDINGS, and Mr. WHITE answered to their names when called.

The PRESIDENT pro tempore. Forty-four Senators having answered to their names, a quorum is not present.

Mr. BALL. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The PRESIDENT pro tempore. Without objection—

Mr. RUSSELL. Mr. President, may the motion of the Senator from Minnesota be stated again?

Mr. BALL. I have moved that the Sergeant at Arms be directed to request the attendance of absent Senators.

Mr. RUSSELL. Mr. President—

The PRESIDENT pro tempore. The motion is not debatable.

Mr. RUSSELL. Therefore the Senate can send out at this hour of the evening and can inconvenience Members of the Senate without even considering the matter? If that is the case, very well.

The PRESIDENT pro tempore. A majority of the Senators present can enter such an order.

Mr. RUSSELL. On that motion I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk called the roll.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness.

The Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Nevada [Mr. CARVILLE], the Senator from California [Mr. DOWNEY], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Georgia [Mr. GEORGE], the Senators from Rhode Island [Mr. GERRY and Mr. GREEN], the Senator from West Virginia [Mr. KILGORE], the Senators from Washington [Mr. MAGNUSON and Mr. MITCHELL], the Senator from Texas [Mr. O'DANIEL], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Louisiana [Mr. OVERTON], the Senator from Idaho [Mr. TAYLOR], the Senator from Oklahoma [Mr. THOMAS], the Senator from Utah [Mr. THOMAS], the Senator from New York [Mr. WAGNER], the Senator from Massachusetts [Mr. WALSH], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

The Senator from Texas [Mr. CONNALLY] is absent on official business as a representative of the United States attending the first session of the General Assembly of the United Nations, now being held in London.

The Senator from Delaware [Mr. TUNNELL] is absent on official business as a member of the Mead committee.

Mr. WHITE. The Senator from Michigan [Mr. VANDENBERG] is absent on official business as a representative of the United States attending the first session of the General Assembly of the United Nations now being held in London.

The Senator from California [Mr. KNOWLAND] is absent on official business as a member of the Mead committee.

The Senator from Wyoming [Mr. ROBERTSON] is absent on business.

The Senator from Oklahoma [Mr. MOORE] is unavoidably absent.

The Senator from Vermont [Mr. AIKEN], the Senator from Maine [Mr. BREWSTER], the Senator from Indiana [Mr. CAPEHART], and the Senator from New Jersey [Mr. SMITH] are necessarily absent.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Delaware [Mr. BUCK], the Senator from South Dakota [Mr. BUSHFIELD], and the Senator from Kansas [Mr. REED] are detained on official business.

The Senator from Connecticut [Mr. EART], the Senator from Nebraska [Mr. WHERRY], the Senator from Minnesota [Mr. SHIPSTEAD], and the Senator from Iowa [Mr. WILSON] are detained on official business.

The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Utah [Mr. THOMAS].

The Senator from Kansas [Mr. REED] has a general pair with the Senator from New York [Mr. WAGNER].

The result was announced—yeas 35, nays 22, as follows:

YEAS—35

Austin	Gurney	Murray
Ball	Hawkes	Myers
Briggs	Hickenlooper	Pepper
Brooks	Huffman	Radcliffe
Butler	Johnson, Colo.	Saltonstall
Capper	La Follette	Stanfill
Chavez	Langer	Taft
Cordon	Lucas	Tobey
Donnell	McMahon	White
Ferguson	Mead	Willis
Gossett	Morse	Young
Guffey	Murdock	

NAYS—22

Bailey	Hill	Millikin
Bankhead	Hoey	Revercomb
Bilbo	Johnston, S. C.	Russell
Eyrd	McCarran	Stewart
Eastland	McClellan	Tydings
Ellender	McFarland	Wiley
Hatch	McKellar	
Hayden	Maybank	

NOT VOTING—39

Aiken	Gerry	Robertson
Andrews	Glass	Shipstead
Barkley	Green	Smith
Brewster	Hart	Taylor
Bridges	Kilgore	Thomas, Okla.
Buck	Knowland	Russell
Bushfield	Magnuson	Tunnell
Capehart	Mitchell	Vandenberg
Carville	Moore	Wagner
Connally	O'Daniel	Walsh
Downey	O'Mahoney	Wheeler
Fulbright	Overton	Wherry
George	Reed	Wilson

So Mr. BALL's motion was agreed to.

The PRESIDENT pro tempore. The motion of the Senator from Minnesota is agreed to; but the presence of a quorum having been developed on the yeas-and-nays vote, the question recurs on the motion of the Senator from Georgia that the Senate take a recess until 12 o'clock noon tomorrow.

Mr. RUSSELL. Mr. President, I do not wish to suggest that we have the yeas and nays on the question. I ask the Senator from New Mexico [Mr. CHAVEZ] to make a motion for a recess.

Mr. CHAVEZ. Mr. President, I wish to do so, but I want to be agreeable with what the majority has now decided. I inquire of the minority leader the distinguished Senator from Maine [Mr. WHITE] if it will be agreeable to him for the Senate now to take a recess. It is almost a quarter to 6 o'clock.

Mr. WHITE. Mr. President, so far as I am concerned—it is now within 15 minutes of 6 o'clock—I shall interpose no objection.

Mr. CHAVEZ. Mr. President, I move that the Senate take a recess until 12 o'clock noon tomorrow.

Mr. WHITE. I should like to say that tomorrow I shall renew my efforts to continue the Senate in session until 6 o'clock in the afternoon.

Mr. RUSSELL. Mr. President, I can assure the Senator from Maine that on tomorrow I shall not resort to any device such as that of roll calls, other than the normal quorum call at the conclusion of my speech.

RECESS

Mr. CHAVEZ. Mr. President, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 46 minutes p. m.) the Senate

took a recess until tomorrow, Tuesday, January 22, 1946, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

MONDAY, JANUARY 21, 1946

The House met at 12 o'clock noon, and was called to order by the Speaker pro tempore, Mr. McCORMACK.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most Holy Father of all mankind whose footprints are in all creation and whose spirit is in the hearts of Thy children, speak to us today in the sacred silences of our thoughts. In this hour, when our deeds should sound aloud the note of progress, O clear our judgments, reveal unto us our whole duty, and charge us fearlessly to follow the truth.

As our fellow citizens have trusted us and ventured the destiny of our land in our hands, may we not fail them. Therefore, seeing we are compassed about with so great a cloud of witnesses, let us lay aside every weight and the sin that doth so easily beset us, and prove to the world that we are, indeed, a land of the free and the home of the brave. So manifest Thyself in all our decisions that we may never be drawn aside from the path of loyalty to our people. In the fear of the Lord, may our conscience and devotion to our Republic transform every purpose. Forgive what we have been, help us to amend what we are, and in Thy spirit direct what we shall be, that Thou mayest come into the full glory of Thy creation, in us and all men, through Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, January 18, 1946, was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had adopted the following resolution (S. Res. 217):

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. JOSEPH W. ERVIN, late a Representative from the State of North Carolina.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now take a recess until 12 o'clock noon on Monday next.

THE STEEL STRIKE

Mr. KELLY of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[Mr. KELLY of Illinois addressed the House. His remarks appear in the Appendix.]

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES ON THE STATE OF THE UNION AND TRANSMITTING THE BUDGET

The SPEAKER pro tempore laid before the House the message of the President on the state of the Union and transmitting the Budget.

(For message, see p. 136 of the proceedings of the Senate of this date.)

Mr. RICH (interrupting the reading of the message). Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The Clerk read a message from the President of the United States, and the Chair feels that an inquiry at this time should not be entertained.

Mr. RICH. Mr. Speaker, I think it is wise that the membership of the House hear the President's message, and I make a point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

Mr. GORE. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 3]

Allen, La.	Fisher	Monroney
Angell	Fogarty	Morrison
Baldwin, Md.	Fulton	Murray, Tenn.
Barrett, Pa.	Gallagher	Norton
Barrett, Wyo.	Gamble	O'Konski
Bates, Mass.	Gerlach	O'Toole
Beall	Gibson	Outland
Beckworth	Gorski	Pfeifer
Bender	Graham	Philbin
Bennet, N. Y.	Granahan	Plumley
Bloom	Grant, Ala.	Poage
Bolton	Gross	Powell
Bradley, Pa.	Hall	Quinn, N. Y.
Brehm	Leonard W.	Rabin
Brumbaugh	Hand	Rayfield
Buckley	Hart	Reed, Ill.
Bunker	Healy	Reed, N. Y.
Byrne, N. Y.	Hébert	Rivers
Byrnes, Wis.	Herter	Rizley
Campbell	Izac	Roe, N. Y.
Canfield	Jensen	Rooney
Cannon, Fla.	Johnson, Ill.	Russell
Cannon, Mo.	Johnson,	Scribner
Celler	Lyndon B.	Simpson, Pa.
Chapman	Judd	Snyder
Clippinger	Keogh	Somers, N. Y.
Coffee	King	Stigler
Colmer	Kinzer	Sumner, Ill.
Cooley	Kunkel	Sundstrom
Corbett	Lane	Taylor
Curley	Larcade	Thomas, N. J.
Dawson	Latham	Tibbott
Delaney,	Lemke	Torrens
James J.	Luce	Traynor
Delaney,	Lynch	Wastelewski
John J.	McGehee	Weichel
Dingell	McGlinchey	Welch
Douglas, Calif.	Maloney	West
Douglas, Ill.	Marcantonio	White
Durham	Martin, Iowa	Whittington
Elsasser	Mathews	Wickersham
Fellows	Miller, Calif.	Winter

The SPEAKER pro tempore. On this roll call 303 Members have answered to their names; a quorum is present.

By unanimous consent, further proceedings under the call were dispensed with.

The Clerk resumed the reading of the President's message.

Mr. RICH (interrupting the reading of the President's message). Mr. Speaker, I make the point of order that a quorum is not present.